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ABSTRACT

The first part of this document consists of a report on the role played by familiar elements of American educational finance in perpetuating widespread and systematic denials of equal educational opportunity. The partnership among local, State and Federal resources for financing public elementary and secondary education is discussed with an analysis of the ways in which that system contributes to educational inequities. The report is in five sections: (1) a definition of equal educational opportunity; (2) a description of patterns of fiscal disparities that exist among and within school districts; (3) a discussion of the reasons for these disparities, examining the role of local, State and Federal programs; (4) an analysis of recent court cases resulting in the declaring unconstitutional systems of school finance in California and Minnesota; and, (5) suggestions for reform. The second part consists of a paper presented at the 1971 annual convention of the American Academy for the Advancement of Science based upon a study of the legal and fiscal dimensions of inequalities of educational opportunity; and, an analysis of the 1970 Census data on financial and demographic trends in the largest metropolitan areas of the nation. (Author/JM)

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THE FINANCIAL ASPECTS OF EQUALITY OF EDUCATIONAL OPPORTUNITY

AND

INEQUITIES IN SCHOOL FINANCE

SELECT COMMITTEE ON EQUAL EDUCATIONAL OPPORTUNITY UNITED STATES SENATE

JANUARY 1972

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THE FINANCIAL ASPECTS OF EQUALITY OF EDUCATIONAL OPPORTUNITY AND INEQUITIES IN SCHOOL FINANCE

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FORWARD

One of the chief problems confronting public education today is the need for more equitable distribution of financial resources. Not only must we find new ways to finance public education, we must also explore ways to use existing funds more wisely and assure that educational resources are distributed equitably and on the basis of educational needs.

"The Financial Aspects of Equality of Educational Opportunity" is a report presented to the Select Committee on Equal Educational Opportunity. The report summarizes present inequities in school finance, reviews the causes of these inequities and recent court decisions and concludes with a series of recommendations. The Select Committee is indebted to Joel S. Berke and James A. Kelly for their work on the committee's behalf. This print also includes a report by Joel S. Berke and John J. Callahan, "Inequities in School Finance," which examines the impact of recent school finance decisions and proposed revenue sharing programs, with particular attention to the problems of large urban school districts. These studies are reproduced here because they have important implications for the future of public elementary and secondary education.

WALTER F. MONDALE,
Chairman, Select Committee on Equal Educational Opportunity.

THE FINANCIAL ASPECTS OF EQUALITY OF EDUCATIONAL OPPORTUNITY

A Report Presented to the
SELECT COMMITTEE ON EQUAL EDUCATIONAL OPPORTUNITY
WALTER F. MONDALE, CHAIRMAN

by

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December 1971

PREFACE

The authors wish to express their gratitude to those who assisted in the preparation of this report, Anthony Carnevale, Barrie Goldstein, and Ron White, research assistants at the Policy Institute of the Syracuse University Research Corporation, and Robert Firestine of the Urban Studies Program of the University of Florida at Gainesville.

The committee staff and its chairman have provided intelligent and thoughtful questions which have, we believe, improved the quality of this document.

All interpretations, recommendations, and errors of fact, however, are the sole responsibility of the authors.

J.S.B.
J.A.K.

December, 1971

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Chapter I

INTRODUCTION

The elements of American educational finance are becoming increasingly familiar to those who are concerned about the condition of the public schools of the Nation. Yet the fact that those familiar financial arrangements are the cause of widespread and systematic denials of equal educational opportunity is largely unappreciated. In fact, the ways in which we raise and spend money for education guarantees that children who come from the most wealthy and prestigious communities will ordinarily be provided the best education that the public schools can offer, while those who begin life with the disadvantages of impoverished family and neighborhood backgrounds will generally be relegated to second-class schools.

In all the States except Hawaii, public elementary and secondary education is financed by a combination of local, State, and Federal resources. Local funds, derived from the real property tax, provide better than half the revenue for elementary and secondary education for the Nation as a whole. State aid, officially designed to assure a minimum statewide level of services and to offset local variations in taxable wealth, provides more than 40 percent of total public school funding. The national government, the junior partner in educational federalism, furnishes the remaining 7 percent of school revenues through a series of categorical programs intended to serve particular educational purposes.

This report will discuss this partnership for financing public elementary and secondary education and will analyze the ways in which that system contributes to educational inequities. We have divided this study into five major sections:

1. As a means of providing clarity in an area often characterized by vagueness, we define our understanding of equal educational opportunity.
2. We describe the patterns of fiscal disparities that exist among and within school districts.
3. We discuss the reasons for these disparities, examining the role of local, State, and Federal programs.
4. We turn to the courts, and analyze the impact of *Serrano* versus *Priest* and *Van Dusartz* versus *Hatfield*—recent cases that have declared systems of school finance unconstitutional in California and Minnesota.
5. We will advance several suggestions for moving toward more equitable patterns of school finance.

Chapter II

UNDERSTANDING EQUALITY OF EDUCATIONAL OPPORTUNITY

Like democracy and justice, equality of educational opportunity has almost as many definitions as it does definers. Rather than simply adding our own preferences to those of our many predecessors, we would like to assist the committee to sort out the central themes in the differing approaches.

As a start, we would suggest two major distinctions. In the first category are those conceptions which emphasize equity in the distribution of educational *services and their outcomes*, educational achievement. The second major perspective sees equality in education primarily in terms of how the *costs* of education are distributed. Most conceptions of equality of educational opportunity suffer because they fail to concern themselves with both sides of the problem, equity in the distribution of education as well as equity in bearing their costs.

Equal Educational Opportunity as Equity in Educational Services and Achievement

ABSOLUTE EQUALITY IN SERVICES

We begin with what is probably—in our eyes unfortunately so—the most widely prevailing concept of equality of educational opportunity, absolute equality or identity in the level of educational services accorded all children. Such a view frequently measures the level of services in terms of equal per-pupil-expenditures or equal expenditures adjusted for cost differentials; or else by some crude index of the quality of education, such as equal pupil-teacher ratios or the like. This view of the requirements of equal opportunity in education is frequently voiced by those who have been so impressed and distressed by the marked disparities in school services that they turn to its converse, absolute equality, as a ready remedy. Besides stressing its simplicity, those who favor this test also suggest it as a useful minimum step in moving toward full educational equality because it would serve as an immense advance over the current system which regularly works to the disadvantage of the poor and the minorities.

It is our view, however, that this is a case where "the better" is the enemy of "the best," and that acceptance of a definition of equal opportunity in terms of equal expenditures or services for all children is in opposition to what we know about the differential learning aptitudes of children; or, what we take to be a dominant goal of Ameri-

can education, that is furthering social mobility. To be meaningful, we would suggest, a theory of equal educational opportunity must take into account both:

1. The purposes of education; and,
2. What little we know about how children from different backgrounds and with differing abilities learn.

SERVICES RELATED TO EDUCATIONAL NEED

A primary function of public education in America has been its role as a vehicle for social mobility. The goal has been to equip children of moderate means and meager status with the skills needed to compete on equal terms, in the search for a good life, with children of higher station and greater wealth. While, as a personal matter, education may well be seen as an end in itself; as a public service education is a means to a number of civic and economic ends—chief among them being equal opportunity in the competition of life. Equal *educational* opportunity should be intended to serve that larger goal; and, as our society has come to place increasing emphasis on credentials, degrees, and technical training, the role of education has become even more important in determining life chances. Meaningful equal educational opportunity, therefore, must equip children from any background to compete on equal terms with children from any other level of society.

The implications for public policy that spring from this understanding of the goal of equal educational opportunity are clear: More services must be focused on those with disadvantages in their ability to succeed in school; so, that when their basic education is completed, children from differing racial and economic groups—as nearly as possible—stand on an equal footing in terms of educational attainment with children who began school with greater advantages. Individual differences in achievement there must always be, but equal educational opportunity requires that educational resources should be distributed to offset societal and inherited impediments to success in life. In short, equal educational opportunity means that services—and thus, expenditures—should be related to educational need as defined above.

Neither of the authors of this testimony would minimize the practical difficulties in implementing this view of equal educational opportunity. We are both aware of the questionable results of previous large-scale efforts at compensatory education like Title I of ESEA, and some of the large local programs like New York's More Effective Schools. We know that educating the children of the poor and of racial minorities is one of the things American schools do worst. We are not unaware either of the evidence of the apparent impotence of schooling in comparison with out-of-school influences on children. And, we have both had the opportunity, in previous research, of developing techniques for identifying educational need—both on the basis of admittedly imperfect achievement tests, and on the basis of social and economic indexes of need. Yet with all the problems associated with it, allocating resources in proportion to educational need seems an indispensable part of a meaningful public policy designed to further equality of educational opportunity. We shall use this view as

one of the tests by which we shall subsequently measure the degree of inequity in the financing of education in the United States.

Equal Educational Opportunity as Equality in Bearing the Costs

How the costs of education are distributed is another important theme in discussions of equality of educational opportunity. Indeed, much of the court's concern in *Serrano* versus *Priest* was directed to that question. Their findings—that poor communities which taxed themselves at higher rates were frequently unable to support educational services at as high a level as richer communities taxing themselves at lower rates—weighed heavily in the court's decision to find that system in violation of the equal protection clause of the Fourteenth Amendment.

EQUAL SERVICES FOR EQUAL TAX EFFORT

One possible outcome of the *Serrano* decision would be a system arranged so that communities making equal tax effort receive equal educational services. Perhaps the most persuasive spokesmen for this view are the two authors of the influential amicus brief in the California case, John Coons and Stephen Sugarman—who are also the authors of an important new book on educational finance.* They argue that the right of local school districts to opt for different levels of educational offerings should be maintained, but that each community should have an equal opportunity to select any given level of educational expenditure. State aid would make up the difference between the yield of millage levels in districts with differing tax bases. Thus the State would guarantee that equal tax effort would produce equal education. The principle of power equalizing, as they call it, could theoretically be extended to the family level as well as to the school district—but the principle remains the same. In either case, the test of equity is the power of equal tax effort to purchase equal services. It is consistent, it would seem, with one of the familiar principles for judging the fairness of a revenue system—payments in proportion to benefits received.

TAXATION IN PROPORTION TO ABILITY TO PAY

While benefits in accordance with payments is one possible definition of equity, a criterion that seems far more in keeping with modern democratic ethics is taxation proportional to one's—or a school district's—ability to pay. This criterion of equity underlies the graduated income tax, for example, and would be approximated by systems of State or Federal aid for education which used a sophisticated measure of community wealth as the criterion for school aid allocations. Patently, for many school systems the amount f taxable prperty per pupil is an inadequate measure of their ability to pay. Income may be more realistic, or a combination of the two. In addition, a measure that takes account of the greater demands of a wider variety of public

*John E. Coons, William H. Clune III, and Stephen D. Sugarman. *Private Wealth, and Public Education.* Cambridge: The Belknap Press of Harvard University, 1970.

services necessary in urban areas should also be used. Measuring effort by the total tax rate—municipal and educational tax rates—is one way of doing that.

In establishing a definition for equality of educational opportunity, the way in which costs of education are distributed is an important component to be considered. Our preference in developing such a definition is for a system which distributes the costs of education in proportion to a realistic measure of a community's or the individual's ability to pay. For educational finance, the adoption of this goal would call for new approaches to equalization in most States of the Nation.

Summary

In short, in both the distribution of services and in the methods for supporting these services a number of definitions of equality of educational opportunity are available. While we have expressed our preferences among these competing criteria, what is probably most important for this committee to note is: That regardless of which of these tests of equity one wishes to apply, the current system of financing public education in the United States fails to qualify. *In short, there is no recognized test of equal educational opportunity which our current system of education finance is able to meet.* In the next section of our testimony, we present examples of the evidence from which we draw that conclusion.

CHAPTER III

THE PROBLEM: INEQUITIES IN SCHOOL FINANCE

The Magnitude of Educational Revenues and Expenditures

The magnitude of the American public educational enterprise is breathtaking. Designed to educate all children through age 16 and most well beyond that point, public schools enrolled 47,238,087 students in 1969–70 and spent $39.5 billion. Almost 50 million Americans were thus involved on a full-time basis in public education—more persons than are found in any other segment of American life.

Total expenditures for public education in America have risen dramatically in the past half century and particularly during the decade of the 1960's. Between 1960 and 1970 total expenditures increased by 153 percent from $15.6 billion to $39.5 billion. During the same period enrollment increased from 36.1 million to 47.2 million, or just 30 percent.

Expenditures for public education have risen more rapidly than general indexes of the Nation's wealth. Public school spending absorbed 2.3 percent of the gross national product (GNP) in 1949; but, by 1967 schools spent 4 percent of GNP. During those 18 years GNP increased at an average annual rate of 6.4 percent while school expenditures rose at an annual rate of 9.8 percent.

These figures, of course, include only the direct costs of public elementary and secondary education. While they will not enter our analysis, other nonpublic and indirect costs add significantly to educational expenditures broadly understood. Nonpublic schools enroll better than 10 percent of the Nation's schoolchildren; on-the-job training programs in industry, government, and the Army educate millions more. Perhaps the largest single indirect cost of public education—a cost frequently ignored by writers in the school finance field—is the earnings forgone by students who attend school rather than obtain employment. Forgone earnings of students, aged 16-and-above, were estimated at between $20 and $30 billion in 1967, assuming that approximately 75 percent of them could have been employed if they so desired.

Despite these massive expenditures, however, we face a fiscal crisis in education. Increases in class size, elimination of experimental programs, and early closings are but the most dramatic manifestations of what happens when educational revenues do not keep up with costs. Yet despite the serious plight of many school systems, the greatest financial crisis is not the overall inadequacy of public spending for

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education. The real crisis is a crisis in equity, not adequacy, for if substantially more funds were suddenly forthcoming tomorrow, under present patterns of allocation inequality of educational opportunity would be as great then as it is today.

Variations in School Spending

Variations in expenditures across the Nation are spectacular. A careful study some years ago found variations of classroom expenditures for the entire country of nearly 4-to-1 after the obviously unrepresentative districts had been eliminated.

Table I.—*Current expenditures per classroom in 1960*

Selected items

Classroom expenditure level:	*Amount*
High	$25,237
At the 98th percentile	13,177
At the 90th percentile	11,063
At the 75th percentile	9,697
Median for United States	7,528
At the 25th percentile	5,708
At the 10th percentile	4,365
At the 2d percentile	3,410
Low	1,495

Source: Profits in School Support, U.S. Government Printing Office, p. 4 Forrest W. Harrison and Eugene P. McLoone.

Within individual States, high spending districts outspent their low spending neighbors by better than two to one. A quick check of current data on high and low expenditure per pupil districts collected for 1969–70 showed even higher ratios; but, the two studies are noncomparable in their techniques and do not necessarily suggest a trend toward greater disparities. (See Table II.)

Table II.—*Intrastate disparities in per pupil expenditures 1969–70*

	High	Low	High/low index
Alabama	$581	$344	1.7
Alaska Revenue/pupils	1,810	480	3.8
Arizona	2,223	436	5.1
Arkansas	664	343	1.9
California	2,414	569	4.2
Colorado	2,801	444	6.3
Connecticut	1,311	499	2.6
Delaware	1,081	633	1.7
District of Columbia			
Florida	1,036	593	1.7
Georgia	736	365	2.0
Hawaii			
Idaho	1,763	474	3.7
Illinois	2,295	391	5.9
Indiana	965	447	2.1
Iowa	1,167	592	2.0
Kansas	1,831	454	4.0
Kentucky	885	358	2.5

TABLE II.—*Interstate disparities in per pupil expenditures 1969–70*—Continued

	High	Low	High/low index
Louisiana	892	499	1. 8
Maine	1, 555	229	6. 8
Maryland	1, 037	635	1. 6
Massachusetts	1, 281	515	2. 5
Michigan	1, 364	491	2. 8
Minnesota	903	370	2. 4
Mississippi	825	283	3. 0
Missouri	1, 699	213	8. 0
Montana average of groups	1, 716	539	3. 2
Nebraska average of groups	1, 175	623	1. 9
Nevada	1, 679	746	2. 3
New Hampshire	1, 191	311	3. 8
New Jersey 1968–69	1, 485	400	3. 7
Mew Mexico	1, 183	477	2. 5
New York	1, 889	669	2. 8
North Carolina	733	467	1. 4
North Dakota county averages	1, 623	686	2. 3
Ohio	1, 685	413	4. 0
Oklahoma	2, 566	342	7. 5
Oregon	1, 432	399	3. 5
Pennsylvania	1, 401	484	2. 9
Rhode Island	1, 206	531	2. 3
South Carolina	610	397	1. 5
South Dakota	1, 741	350	5. 0
Tennessee	700	315	2. 4
Texas	5, 334	264	20. 2
Utah	1, 515	533	2. 3
Vermont	1, 517	357	4. 2
Virginia	1, 126	441	2. 6
Washington	3, 406	434	7. 8
West Virginia	722	502	1. 4
Wisconsin	1, 432	344	4. 2
Wyoming	14, 554	618	23. 6

NOTES

For New Jersey data are for fiscal year 1969 since fiscal year 1970 data were not yet available.

For Alaska data represent revenue per pupil.

For Montana and Nebraska data are high and low of average for districts grouped by size.

For North Dakota data are averages of expenditures of all districts within a county.

Data are not fully comparable between States since they are based entirely on what data the individual State included in their expenditures-per-pupil analysis.

Source: State Reports and Verbal contacts with State Officials.

CENTRAL CITY—SUBURBAN DISPARITIES

One of the major inequities in educational finance is that variations in expenditures often tend to be inversely related to educational need. The following teacher and expenditure data contrasts conditions in

central cities with surrounding high prestige suburbs. (See Table III.)

TABLE III.—*Comparison of pupil/teacher ratio in selected central cities and suburbs, 1967* [1]

City and suburb	Pupil/teacher ratio	Per pupil expenditures
Los Angeles	27	$601
Beverly Hills	17	1, 192
San Francisco	26	693
Palo Alto	21	984
Chicago	28	571
Evanston	18	757
Detroit	31	530
Grosse Pointe	22	713
St. Louis	30	525
University City	22	747
New York City	20	854
Great Neck	16	1, 391
Cleveland	28	559
Cleveland Heights	22	703
Philadelphia	27	617
Lower Merion	20	733

[1] Taken from: The Urban Education Task Force Report (Wilson C. Riles, chairman), New York, N.Y.: Praeger Publishers, Inc., 1970.

Source: Gerald Kahn and Warren A. Hughes, *Statistics of Local Public School Systems*, 1967, National Center for Educational Statistics, U.S. Office of Education.

Note that in every case, city students had less money spent on their education and higher pupil/teacher ratios to contend with than did their high-income counterparts in the favored schools of suburbia. In a recent study of five large industrialized States, it was found that in four of the five States, central cities averaged nearly $100 less per pupil in total expenditures than did the suburban districts.*

The real inequity, however, lies not in the fact that cities often spend less per pupil than their suburbs for education. Even if urban expenditures were the equal of suburban expenditures or exceeded them slightly, as is the case in some sections of the Nation, the denial of equal educational opportunity would persist. For the cost of providing educational services in large central cities is far more than it is in the suburban ring. As a result, when cities spend the same or slightly more than their neighbors, they are getting far less in proportion to their educational need. The reasons are these: First, the cost of things schools must purchase are higher in large cities; and, second, the cities have far higher proportions of educationally disadvantaged pupils who need more concentrated and expensive programs if they are to

*Joel S. Berke, Stephen K. Bailey, Alan K. Campbell, Seymour Sacks; *Federal Aid to Public Education: Who Benefits?* U.S. Senate Select Committee on Equal Educational Opportunity committee print, Government Printing Office, April 1971.

achieve at average grade levels. If equal opportunity in education implies that resources should be allocated in proportion to educational need, the cities with their higher proportions of the poor, the physically and mentally handicapped, the foreign born, and the victims of racial discrimination lag far behind their rightful level of educational services.

Data on a representative-sample of New York State school districts makes these points rather starkly. Grouped by property wealth categories, city school districts and noncity districts are contrasted in regard to their education tax rates; their tax rates for all municipal functions; their State aid for education; their total expenditures per pupil; and lastly, by two measures of educational need—the percentage of the school district's pupils scoring two grade levels or more below the norm, and the percentage of pupils from families receiving welfare payments under the Aid to Families with Dependent Children program.

TABLE IV.—*Selected data for 119 New York State school districts, city and noncity, within wealth groups*

Full taxable property value per pupil [1] (city-noncity)	School tax rate		Total tax rate		Total State aid		Total expenditures per pupil		Percent of pupils 2 or more grade levels below the norm		Percent of pupils from families receiving AFDC	
	Noncity	City	Noncity	City	Noncity	City	Noncity	City	Noncity	City	Noncity	City
$48,000 and above:												
Noncity (N=8)	$16.78	$11.84	$34.18	$37.15	$315.25	$351.0	$1,320	$1,187	17.7	34.0	5.6	15.0
City (N=1)												
$45,938—$3,634:												
Noncity (N=8)	19.53	16.23	34.73	45.57	383.37	356.25	1,203	1,146	15.0	31.5	4.5	17.3
City (N=4)												
$35,396—$24,150:												
Noncity (N=29)	19.42	16.43	33.81	37.80	475.72	463.44	1,088	1,011	14.7	27.8	2.3	12.7
City (N=9)												
$23,610—$12,190:												
Noncity (N=49)	18.57	15.91	35.92	41.41	629.24	566.85	998	972	17.5	22.3	3.8	8.6
City (N=7)												
$11,741 and below:												
Noncity (N=5)	14.96	-----	43.21	-----	619.0	-----	1,014	-----	18.4	-----	3.0	-----
City (N=0)												

[1] In weighted average daily attendance.

Source: Joel S. Berke, Robert J. Goettel, Ralph W. Andrew. "Equity in Financing New York City's Schools: The Impact of Local, State, and Federal Policy." Education and Urban Affairs, vol. IV, No. 2., February 1972 (forthcoming).

The results are clear. Cities have somewhat lower education tax rates, but consistently higher tax rates for all functions. Their State aid is slightly less than it is for comparable noncity areas, and their expenditures for education lag even more. What is more significant, however, is that these somewhat lower expenditures must serve a student population which the last two columns demonstrate consists of twice to three times the proportion that noncity areas have of students who are educationally disadvantaged by either an achievement—third grade reading ability—or an income—AFDC qualification—measure.

Direct Correlations Between Community Wealth and School Spending

Inequities do not arise simply because of contrasts between the fiscal and educational characteristics of city, suburban, and rural jurisdictions. Even within suburban portions of metropolitan areas there is a clear pattern of higher quality education in districts with higher economic status, and their is considerable variation in the economic standing of suburban school districts. For example, correlations between rank in property valuation and rank in per pupil revenues is virtually perfect in Table V despite the existence of State aid systems which are nominally equalizing. (See Table V.)

Table VI ranks the same school districts from Table V on the basis of their median family income. Again we find a general pattern of higher school revenues the further up in the income scale of communities one goes, although the relationship is somewhat less clear than it is in Table V. Yet in each of the five metropolitan areas the highest income school districts spend more per pupil for education than did the lowest. In short, "them as has, gits" when it comes to the distribution of school resources in the five metropolitan areas of Boston, Los Angeles, New York, Houston, and Detroit.

These patterns and examples are not isolated instances. They are duplicated in countless studies and through the official reports of virtually every State in the land. Quite simply, they are typical examples of the fiscal roots of inequality in educational opportunity that characterize the distribution of the benefits and burdens of American public education.

TABLE V.—*Per pupil suburban property value and school revenues in the suburbs and 5 metropolitan areas, 1967*

Property valuation category	Boston suburbs		Los Angeles suburbs		New York suburbs		Houston suburbs		Detroit suburbs	
	Valuation	Revenue	Valuation	Revenue	Valuation	Revenue	Valuation	Revenue	Valuation	Revenue
High	(3)$44, 767	$824	(3)$57, 414	$958	(5)$60, 842	$1, 411	(1)$140, 719	$928	(4)$27, 138	$899
Moderately high	(11)26, 343	780	(16)17, 176	686	(16)31, 384	1, 172	(5)64, 356	571	(12)14, 750	724
Moderately low	(9)20, 554	760	(16)7, 195	630	(17)18, 413	1, 043	(4)27, 146	466	(11)9, 282	629
Low	(5)15, 481	595	(3)5, 079	663	(3)10, 997	1, 009	(2)12, 494	482	(4)6, 550	599

NOTE.—Figures in parentheses represent number of school systems.

Source: The Policy Institute of the Syracuse University Research Corp.

TABLE VI.—*Suburban income and school revenues in 5 metropolitan areas—1967*

Income category	Boston suburbs			Los Angeles suburbs			New York suburbs		
	Number [1]	Income range	Per pupil revenue	Number	Income range	Per pupil revenue	Number	Income range	Per pupil revenue
High	3	$9,000–9,363	$860	2	$8,600–11,977	$1,071	5	$10,500–14,459	$1,455
Moderately high	8	7,300–8,900	784	17	7,400– 8,600	682	13	8,000–10,000	1,172
Moderately low	11	6,300–7,300	720	19	6,400– 7,400	656	18	6,500– 8,000	1,068
Low	6	5,900–6,300	683	4	6,100– 6,400	685	7	5,500– 6,500	1,026

	Houston suburbs			Detroit suburbs		
High	1	$7,200– 8,929	$477	3	$8,700–14,717	$877
Moderately high	5	6,300– 7,200	615	12	7,400– 8,700	693
Moderately low	4	5,000– 6,300	528	11	6,600– 7,400	631
Low	2	3,700– 5,000	472	5	5,600– 6,600	738

[1] Number of school systems.

Source: The Policy Institute of the Syracuse University Research Corp.

Disparities Within School Districts

The immediate impact of educational finance occurs, however, in individual schools. Yet commenting upon the patterns of disparity in the allocation of resources within school districts to individual schools is at present a hazardous activity in all but a few school systems of the country. Adequate school-by-school data are frequently unavailable and often unreliable.

However, some things can be said about expenditure patterns by schools. First, patterns of discrimination which assigned lower resources to students who were black or of lower socioeconomic and minority racial status were probably both common and systematic through the 1950's and early 1960's. Studies of Detroit, New York, and Atlanta found fairly clear discriminatory patterns. Since the mid-1960's, however, scattered evidence suggests that at least in expenditures, intradistrict discriminatory patterns are weakening or yielding to very mildly compensatory ones. But the source of the change appears to be predominantly the effect of Title I of ESEA and State funds earmarked for the disadvantaged. Studies of Chicago, Rochester, Syracuse, and a decentralized district in New York City reveal this phenomenon. In the New York State study, schools with the highest proportions of low achieving pupils received less funds from local and general State aid money than did the most advantaged schools; but, in those three cities, schools with low achieving pupils had 15 percent, 5 percent and 0.15 percent more to spend when Title I and State "urban aid" were added.

Yet even these studies showed that teachers who were less experienced and new to the district were concentrated in the schools with the highest proportions of educationally disadvantaged. Patterns of rigid discrimination in funding may be breaking down as measured by expenditures and by some school service measures. But what actual compensatory spending and staffing has occurred appears to be of very mild dimensions indeed.

The Rural School Finance Problem

If there is a distinctive urban problem that is apparent in contrast with suburban areas, there is also a distinctly rural school finance problem. In the latter case resource inadequacy for education is not primarily the result of competing demands for governmental services as it is in more urbanized areas. Rather the problem is frequently the virtual absence of taxable property, and variations that come from the location of particularly valuable realty—say resort facilities—is all the more apparent. While rural areas have not suffered from the discrimination in the distribution of State aid that cities have, their high educational need is quite parallel to the urban situation. The following table shows several of the dimensions of the problem of rural areas, and Table VII casts additional light on the problem.

TABLE VII.—*Capacity and need in central cities, outside central cities, and rural areas in 1969*

	Central cities	Outside central cities	Outside metropolitan areas	Total
Fiscal capacity:[1] Median family income	$9,157	$11,003	$7,982	$9,433
Need:[1]				
Households below the poverty level 1969:				
Number (in thousands)	2,865	1,670	4,124	8,659
Percent	14.5	7.8	19.0	13.8
Families below the poverty line 1969:				
Number (in thousands)	1,484	931	2,533	4,948
Percent	10.1	5.0	14.0	9.7
Persons below the poverty line 1969:				
Number (in thousands)	7,645	4,492	11,894	24,031
Percent	13.3	6.2	17.1	12.1
Median school years completed 1969	12.6	12.7	12.4	12.6
Percent teachers with B.A.[2] 1968	96.8	95.9	91.4	----------
Percent teachers with M.A.[2] 1968	28.6	24.5	18.7	----------

[1] Data compiled from: U.S. Department of Commerce, Bureau of the Census, Special Studies, Social and Economic Characteristics of Metropolitan and Non-Metropolitan Population p. 23 No. 37 Washington, 1970.

[2] HEW, OE, NCES, Statistics of Rural Public School Systems: Personnel, 1968 p. 10.

Chapter IV

INEQUITIES IN EDUCATIONAL FINANCE: THE CAUSES

In the absence of explicit constitutional assignment of educational responsibility to the Federal Government, plenary power over education rests with State governments. In virtually every State, the legislature is required by the State's constitution to establish and maintain some kind of system of public education. States have traditionally delegated much of their inherent control over education to local school districts, 90 percent of which are independent of local government but dependent upon the State legislature for their powers. Thus has emerged the system of mixed, or shared, power that characterizes State-local relationships in public education.

The tradition of delegating State powers to local school districts has the most profound implications for school finance. As we have previously mentioned, States usually allow local school districts access to certain taxable resources—typically real property taxes—from which school districts are expected to obtain a considerable portion of their revenues. These local revenues are supplemented with funds derived from State taxes. In 1970–71 States provided 41 percent of the funds used for public education, while local school district revenues—mainly from the property tax—provided 51 percent. These proportions have remained remarkably stable over time. Federal revenues the same year accounted for only 7 percent of school revenues.

In the early 1930's there were approximately 130,000 local school districts in America, including thousands of one-room, one-teacher districts. The number of districts steadily declined during the 1940's, 1950's, and the 1960's until in 1969–70 there were only 18,904.* The delegation of taxing powers to a vast and changing array of local districts has resulted in two cardinal facts: Local school districts are grossly unequal in their local fiscal resources per pupil, and the level of fiscal resources is unrelated to the types of educational programs needed by the pupils of a district. This arbitrary grant of unequal taxing power to local school districts not only distinguishes American schools from those in most other Nations but is the most pervasive single determinant of the quality and level of educational services in local schools.

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*In 1969 only 1,608 school districts were "dependent" on local town or county governments. Dependent districts are most frequently found in large cities and throughout New England; and in the States of Maryland, North Carolina and Virginia. *N.E.A. Research Bulletin*, Vol. 48, No. 2, May 1970. National Education Association, Washington, D.C., p. 38.

State governments thus have complete authority over arrangements for financing public schools. States exercise this authority by a variety of legislative actions—specifying the conditions under which localities may levy taxes for schools—by appropriating State funds and determining how they shall be distributed among local districts; and by determining rules regarding school expenditures.

Since the 1920's the principle of equalization has been a *central thrust* of State aid to local school districts. Equalization usually refers to equalization of the tax burden for education or equalization of the provision of educational services. If the universal State practice of delegating to school districts the power to tax implies a public policy that a better quality and quantity of public services should be provided to the rich than to the poor, then the presumed intent of State "equalization" programs is to nullify the fiscal and educational impact of the delegation of the property tax to local districts. Actually, as we have shown, States have succeeded in equalizing *neither* tax burdens *nor* educational services, and the result is a hodgepodge of irrationalities and inequities so confusing that it is obviously wrong to call the arrangement a "system" for financing schools in any but the loosest sense.

The effect of a State decision to use locally levied property taxes as the base for school support was explained in the *Serrano* decision of August 30, 1971. In the majority opinion, the court carefully explained that California's "funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors." The argument is so lucid and persuasive that we quote from it at length:

> By far the major source of school revenue is the local real property tax. Pursuant to article IX, section 6 of the California Constitution, the Legislature has authorized the governing body of each county, and city and county, to levy taxes on the real property within a school district at a rate necessary to meet the district's annual education budget. The amount of revenue which a district can raise in this manner thus depends largely on its tax base—i.e., the assessed valuation of real property within its borders. Tax bases vary widely throughout the State; in 1969–70, for example, the assessed valuation per unit of average daily attendance of elementary school children ranged from a low of $103 to a peak of $952,156—a ratio of nearly 1 to 10,000.
>
> The other factor determining local school revenue is the rate of taxation within the district. Although the Legislature has placed ceilings on permissible district tax rates, these statutory maxima may be surpassed in a "tax override" election if a majority of the district's voters approve a higher rate. Nearly all districts have voted to override the statutory limits. Thus the locally raised funds which constitute the largest portion of school revenue are primarily a function of the value of the realty within a particular school district, coupled

with the willingness of the district's residents to tax themselves for education.

Most of the remaining school revenue comes from the State School Fund pursuant to the "foundation program," through which the State undertakes to supplement local taxes in order to provide a "minimum" amount of guaranteed support to all districts . . ." With certain minor exceptions, the foundation program ensures that each school district will receive annually, from State or local funds, $355 for each elementary school pupil and $488 for each high school student.

The State contribution is supplied in two principal forms. "Basic State aid" consists of a flat grant to each district of $125 per pupil per year, regardless of the relative wealth of the district. "Equalization aid" is distributed in inverse proportion to the wealth of the district.

To compute the amount of equalization aid to which a district is entitled, the State Superintendent of Public Instruction first determines how much local property tax revenue would be generated if the district were to levy a hypothetical tax at a rate of $1 on each $100 of assessed valuation in elementary school districts and $.80 per $100 in high school districts. To that figure, he adds the $125 per pupil basic aid grant. If the sum of those two amounts is less than the foundation program minimum for that district, the State contributes the difference. Thus, equalization funds guarantee to the poorer districts a basic minimum revenue, while wealthier districts are ineligible for such assistance.

An additional State program of "supplemental aid" is available to subsidize particularly poor school districts which are willing to make an extra local tax effort. An elementary district with an assessed valuation of $12,500 or less per pupil may obtain up to $125 more for each child if it sets its local tax rate above a certain statutory level. A high school district whose assessed valuation does not exceed $24,500 per pupil is eligible for a supplement of up to $72 per child if its local tax is sufficiently high.

Although equalization aid and supplemental aid temper the disparities which result from the vast variations in real property assessed valuation, wide differentials remain in the revenue available to individual districts and, consequently, in the level of educational expenditures.* For example, in Los Angeles County, where plaintiff children attend school, the Baldwin Park Unified School District expended only $577.49 to educate each of its pupils in 1968–69; during the same year the Pasadena Unified School District spent $840.19 on every student; and the Beverly Hills Unified School District paid out $1,231.72 per child.

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*Statistics compiled by the legislative analyst show the following range of assessed valuations per pupil for the 1969–70 school year:

Similar spending disparities have been noted throughout the country, particularly when suburban communities and urban ghettos are compared. (See, e.g., Report of the National Advisory Commission on Civil Disorders (Bantam ed. 1968) pp. 434–436; U.S. Commission on Civil Rights, Racial Isolation in the Public Schools (1967) pp. 25–31; Conant, Slums and Suburbs (1961) pp. 2–3; Levi, *The University, The Professions, and the Law* (1968) 56 Cal. L. Rev. 251, 258–259.)

The source of these disparities is unmistakable: in Baldwin Park the assessed valuation per child totaled only $3,706; in Pasadena, assessed valuation was $13,706; while in Beverly Hills, the corresponding figure was $50,885—a ratio of 1 to 4 to 13. Thus, the State grants are inadequate to offset the inequalities inherent in a financing system based on widely varying local tax bases.

Furthermore, basic aid, which constitutes about half of the State educational funds, actually widens the gap between rich and poor districts. Such aid is distributed on a uniform per pupil basis to all districts, irrespective of a district's wealth. Beverly Hills, as well as Baldwin Park, receives $125 from the State for each of its students.

For Baldwin Park the basic grant is essentially meaningless. Under the foundation program the State must make up the difference between $355 per elementary child and $47.91, the amount of revenue per child which Baldwin Park could raise by levying a tax of $1 per 100 of assessed valuation. Although under present law, that difference is composed partly of basic aid and partly of equalization aid, if the basic aid grant did not exist, the district would still receive the same amount of State aid—all in equalizing funds.

(Continuation of footnote from previous page.)

	Elementary	High school
Low	$103	$11, 959
Median	19, 600	41, 300
High	952, 156	349, 093

(Legislative Analyst, Part V, *supra*, p. 7.)

Per pupil expenditures during that year also varied widely:

	Elementary	High school	Unified
Low	$407	$722	$612
Median	672	898	766
High	2, 586	1, 767	2, 414

(Id. at p. 8)

For Beverly Hills, however, the $125 flat grant has real financial significance. Since a tax rate of $1 per $100 there would produce $870 per elementary student, Beverly Hills is far too rich to qualify for equalizing aid. Nevertheless, it still receives $125 per child from the State, thus enlarging the economic chasm between it and Baldwin Park.

The Urban Fiscal Crisis: Its Causes

The most obvious *fiscal* problem of urban education is that city schools do not have enough money. The aggregate level of resources currently being allocated to urban education by local, State, and national governments is inadequate when compared to requirements for expensive educational services. But this seemingly simple problem of an inadequate level of resources turns out, on closer examination, to be a combination of numerous overlapping and sometimes contradictory factors deeply imbedded in the intricate intergovernmental relations of our Federal system. For instance, some problems are primarily local in character, such as municipal overburden, shrinking assessment ratios, or decaying property tax base, matters we shall discuss later in this chapter.

But when such fiscal circumstances are combined with the steady flow of educated people out of cities—a trend that has now been observed for five decades—and their replacement in the city by less well-educated persons requiring extensive public services such as education, city schools find themselves in a double bind so serious that the problems exceed the problem-solving capacity of local structures and resources.

Unfortunately, these problems are more often compounded than alleviated by State action. City schools are often hamstrung by State limitations on their taxing power, and by State aid formulas which favor rural and suburban districts. State school aid formulas do not take into account the fact that the central city tax base must be used in a much heavier proportion for noneducational purposes—for example, police, fire, streets—than is true in suburbia. The result is that State aid per pupil is frequently higher to suburban districts than it is to city districts.

The fiscal problems of urban schools are further aggravated because urban schools feel more keenly than suburban and rural schools the effects of three major sets of constraints on school board decisions about school revenues and expenditures. The three sets can be called legal, traditional, and socioeconomic.

First, Federal, State and local laws and rulings restrict the freedom to maneuver of local decision makers. Rights of citizenship under the U.S. Constitution; stipulations of Federal statutes and administrative regulations and guidelines; court decisions on rights of property and rights of people; State constitutional and legislative mandates; and, municipal policing power all take precedence over school board authority and thus restrict local discretionary authority for budgeting. Statutory restrictions from the State level are especially

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severe for city school districts; in seven of the 14 largest cities, State definition of local school board taxing powers is more restricted for city school districts than for other school districts in the same State. Ironically, city schools deliberately sought much of this special law in attempts to insulate city schools from the rigors of city and State political machines.

Second, and perhaps as constraining as legal restrictions, though not nearly so visible, is the tendency in big-city school systems for their administrative arrangements to become so formal and inflexible that they may impair the functioning of the institution and reduce its potential for adaptability. An example is the tradition in most cities of the so-called "merit" systems for promotions into and within the administrative hierarchy; these systems are frequently devices to insure that no "outsider" can receive an appointment to administrative position; and, also function to establish rigid and universalistic criteria for judging all candidates for administrative positions.

Third, a Stanford University study revealed that more than two-thirds of the variation in expenditures per pupil among 107 of the Nation's largest districts was accounted for by the wealth of the district and the socioeconomic level of its population.* This means that local decisionmaking about urban school budgets must be viewed in the context of a number of *de facto* limitations on the decisionmakers' autonomy. Working within these limitations, school administrators and school boards tend to assume that existing programs will continue and focus their budget analysis, meager though it is in some cases, upon proposed changes in, or additions to, the existing programs. To simplify the budget process further formulas are frequently utilized to determine how much will be required for particular categories of expenditure. The formulas act to centralize decisionmaking within the school system and tend to create internally inflexible patterns for allocating school resources, both human and material, since the basic assumption underlying use of formulas is that educational services should be distributed equally.

The Property Tax

All schools, but especially the most urban and the most rural schools suffer from the effects of reliance on the property tax as the major local source of school revenue. The property tax is the largest single source of revenue for all State and local governments, and provides 51 percent of all public school revenues. Over 98 percent of public school revenues from local tax sources are property tax revenues. The yield of the property tax has increased throughout the 20th century, and particularly since World War II, whether that yield is measured in absolute dollars or in relation to the gross national product or population. Table VIII compares State and local government property tax yields in selected years.

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*H. Thomas James, James A. Kelly, and Walter Garms *Determinants of Educational Expenditures in Large Cities of the United States.* Stanford: Stanford University School of Education, 1966.

TABLE VIII.—*State and local government property tax revenue in selected years, 1902–63*

	Amount (millions)	Per capita	Percentage of— Total, State-local tax revenue	Percentage of— Gross national product
Year:				
1902	$706	$8.92	82.1	3.2
1927	4,730	39.74	77.7	4.9
1940	4,430	33.53	56.7	4.4
1950	7,349	48.45	46.2	2.6
1956	11,749	70.24	44.6	2.8
1963	20,089	106.51	45.4	3.4

The full import of State-local reliance on the property tax lies in controversies regarding the equity and administrative practicality of the property tax. Netzer's authoritative treatment of the property tax* begins with these words:

> The American property tax abounds in anomalies. During the past century, no major fiscal institution, here or abroad, has been criticized at such length and with such vigor; yet no major fiscal institution has changed so little in modern times. There is a vast literature on the property tax; yet less is known about its overall impact, incidence, and effects than is known about any other major tax. The demise of the property tax as a major factor in the American fiscal scene has long been heralded; yet it continues to finance more than one-fifth of the civilian general expenditures of Federal, State, and local governments. The United States is the citadel of capitalism; yet this tax on wealth is more important in the fiscal system and relative to national income than are comparable taxes in any other advanced country in the world except Canada.**

Property taxes, of course, are the principal local source of revenue for all local government, not just the schools. Generally speaking, it has been a more elastic revenue source than is usually thought—its yield doubled during the 1960's—and every available indicator suggests that it will continue to be a major revenue source for State and local government in the foreseeable future. But despite its durability the property tax suffers from two critical administrative problems: First, unequal assessment; and, second, under assessment.

Almost two-thirds of the States require assessment at full value, yet locally assessed real property averaged less than 33 percent of market

*Source: Dick Netzer, *Economics of the Property Tax.* The Brookings Institution, Washington, D.C., 1966, p. 2.

**Dick Netzer, *Economics of the Property Tax,* The Brookings Institution, Washington, D.C., 1966, p. 1.

value according to the 1967 *Census of Governments*. Assessment variations both *within* and *among* assessment units are scandalous. While progress has been made in narrowing such variations, nearly 40 percent of large assessment districts had coefficients of dispersion—a measure of the departure of individual assessments from the typical level of valuation within an assessment area—that fell outside the minimum level of acceptability, according to the ACIR. Applying a more rigorous test of dispersion, only one-third of assessing areas can qualify as following acceptable practices.* No State can be satisfied with its record in property tax administration, and no other activity of government in the United States is more in need of fundamental reform.

Another problem connected with the property tax is the tendency of many assessors to allow the ratio of assessed values to full market values to decline, thus reducing the capacity of the school district to tap local funds. For example, according to one estimate the assessment ratio in the city of Detroit declined from 90 percent in 1930 to about 50 percent in 1960. The estimates show a decline in assessment ratio in Baltimore from 90 percent in 1930 to 64 percent in 1960; from 80 percent to 45 percent in Cleveland; from 50 percent to 23 percent in Los Angeles; and, from 65 percent to 30 percent in St. Louis.** These reductions are particularly restrictive in many States which define local school taxing authority in terms of tax *rates* and even more restrictive on the many large cities for which taxing authority is limited even more stringently than for other school districts in the same State.

If equitable and reliable assessments are to be achieved, one of two courses of action is indicated. The first, statewide administration—while vulnerable to many of the same problems as local administration—represents a long range hope if not an immediate possibility.

In the meantime, an auditing function is needed. Perhaps State agencies can perform such a function adequately, but it is possible that the same vested interests and political influences that shape local assessments may ensnare State agencies as well. Use of private, State certified appraisers to "audit" local assessments may be needed, similar to the way private C.P.A. auditors regularly review revenues and expenditures of public agencies.

Federal Aid

States, then, have delegated unequal grants of power to support education through the creation of local school districts with the authority to tax real property. State aid systems, while nominally designed to offset the resulting disparities in revenue raising ability, have failed to achieve effective equalization. What impact has Federal aid had in affecting the pattern of allocation of resources for education?

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*Advisory Commission on Intergovernmental Relations, *State and Local Finances: Significant Features, 1966–69*, pp. 3–4.

**Ratios for 1930 from *National Municipal Review* (December 1931), pp. 707–709; 1960 ratios provided by local officials; 1962 sales-based sample data. U.S. Bureau of the Census, *Census of Governments 1962, Vol. II, Taxable Property Values* (Washington, D.C.: U.S. Government Printing Office, 1963).

Largely because of the impact of Title I of ESEA, which provides close to 40 percent of Federal funds for elementary and secondary education, aggregate Federal aid has a decided equalizing effect. Flowing in greater proportions to districts that are blacker, poorer, and more urbanized, Federal aid has provided a small but strategically welcome aid to many fiscally threatened school districts. (See Tables IX, X, XI.)

The quantity of Federal aid is, however, relatively meager. Its overall 7 percent of total public school revenues often gets lost in comparison with the State and local revenues with which it interacts. Thus in a five-State study of Federal aid distribution, while Federal aid went in larger proportions to central city than to suburban—outside central city—areas in four of the five States under study, suburbs still averaged more than $100 higher in total revenues for education. (See Table XII.)

The dozens of separate categorical programs with their differing educational objectives lack focus and coordination. Financially, many of them serve to reinforce the disparities between "have" and "have not" districts, offsetting to some extent the impact of Title I. Impacted areas aid, of course, is a notorious villain. Vocational aid continues to be the captive of the small towns and rural areas, despite the amendments of 1968. And Federal administrators, rather than posing a threat of Federal control of American education, suffer from debilitating inferiority complexes when dealing with their State and local counterparts.

TABLE IX.—*Comparison of Federal aid programs and State aid for school districts in metropolitan areas (fiscal year 1967)*

SMSA's over 500,000 population	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
California:			
CC [2] (N=7)	$19.64	$11.44	$234.29
OCC (N=119)	11.09	8.92	275.78
New York:			
CC (N=5)	53.90	13.70	372.51
OCC (N=73)	12.35	11.44	494.06
Texas:			
CC (N=4)	19.67	5.73	174.26
OCC (N=33)	12.25	10.38	209.35
Michigan:			
CC (N=1)	37.15	7.27	238.13
OCC (N=31)	7.86	5.75	271.26
Massachusetts:			
CC (N=1)	32.33	7.18	[1] 236.60
OCC (N=26)	7.95	11.58	110.26

[1] ESEA II, NDEA III, VA, vocational education, lunch and milk.
[2] CC—central city; OCC—outside central city.

Source: Policy Institute of the Syracuse University Research Corp. Project: "The Pattern of Allocation of Federal Aid to Education," supported by Ford Foundation grant 690–0506A.

TABLE X.—*Comparison of Federal aid programs and State aid for school districts in 5 largest metropolitan areas ranked by median family income (1967)*

School districts in 5 SMSA's (suburbs ranked by income categories) (number of districts and median family income level)	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
Los Angeles:			
(2) High ($12,000 to $8,600)	$0	$3.60	$230.25
(17) Moderately high ($8,600 to $7,400)	6.00	7.71	242.04
(12) Moderately low ($7,400 to $6,400)	14.39	7.86	272.63
(4) Low ($6,400 to $6,100)	24.19	12.72	380.70
(1) Central city ($6,896)	23.05	4.92	191.53
New York City:			
(5) High ($17,000 to $10,500)	7.17	7.74	338.98
(13) Moderately high ($10,500 to $8,000)	11.86	12.18	494.20
(18) Moderately low ($8,000 to $6,500)	12.88	10.68	505.20
(7) Low ($6,500 to $5,500)	17.12	10.83	584.55
(1) Central city ($6,091)	68.72	8.89	329.74
Houston:			
(1) High ($8,900 to $7,200)	2.61	9.69	201.50
(5) Moderately high ($7,200 to $6,300)	4.03	10.34	179.03
(4) Moderately low ($6,300 to $5,000)	7.40	9.89	167.03
(3) Low ($5,000 to $3,700)	49.69	9.06	243.56
(1) Central city ($5,902)	14.32	6.92	172.60
Detroit:			
(3) High ($14,700 to $8,700)	1.70	3.07	206.68
(10) Moderately high ($8,700 to $7,400)	6.56	6.24	261.07
(12) Moderately low ($7,400 to $6,600)	7.52	5.45	297.90
(5) Low ($6,600 to $5,600)	12.28	7.03	268.46
(1) Central city ($6,069)	37.15	7.27	238.13

TABLE X.—*Comparison of Federal aid programs and State aid for school districts in 5 largest metropolitan areas ranked by median family income (1967)—Continued*

School districts in 5 SMSA's (suburbs ranked by income categories) (number of districts and median family income level)	ESEA I (per pupil)	State discretionary Federal funds[1] (per pupil)	State aid (per pupil)
Boston:			
(3) High ($9,400 to $9,000)	$4.31	$7.81	$125.20
(6) Moderately high ($9,000 to $7,300)	5.16	12.57	121.78
(11) Moderately low ($7,300 to $6,300)	6.65	12.13	99.73
(6) Low ($6,300 to $5,900)	14.93	9.07	118.68
(1) Central city ($5,757)	32.33	7.18	236.08

[1] ESEA II, NDEA III, NDEA VA, Vocational Ed., Lunch and Milk.

Source: The Policy Institute of the Syracuse University Research Corp.

TABLE XI.—*Comparison of Federal aid programs and State aid for school districts in 5 large metropolitan areas based on percentage of nonwhite enrollment (1967)*

Districts in 5 largest SMSA's ranked by racial makeup (number of districts)	ESEA I (per pupil)	State discretionary Federal funds[1] (per pupil)	State aid (per pupil)
New York:			
(8) 15 percent nonwhite or more	$30.89	$13.01	$413.17
(36) less than 15 percent nonwhite	10.62	10.48	523.62
Houston:			
(6) 15 percent nonwhite or more	10.21	11.38	193.25
(8) less than 15 percent nonwhite	19.31	8.35	188.49
Detroit:			
(5) 15 percent nonwhite or more	25.85	8.07	285.06
(22) less than 15 percent nonwhite	5.13	5.87	272.69
Boston:			
(1) 15 percent nonwhite or more	32.33	7.18	236.08
(26) less than 15 percent nonwhite	7.99	11.58	112.19
Los Angeles:			
(25) 15 percent nonwhite or more	15.30	8.63	296.26
(19) less than 15 percent nonwhite	6.28	7.21	236.72

[1] ESEA II, NDEA III, VA, Vocational Ed., Lunch and Milk.

Source: Policy Institute of the Syracuse University Research Corp. Project: "The Pattern of Allocation of Federal Aid to Education." supported by Ford Foundation grant 690-0506A.

TABLE XII.—*Federal aid and total revenue by central city, outside central city, and nonmetropolitan areas (1967)*

State	Federal aid	Total revenue	Percent, Federal aid
California:			
Central city	$39	$684	5.8
Outside central city	40	817	4.8
Nonmetropolitan	54	641	8.4
New York:			
Central city	68	876	7.7
Outside central city	31	1,037	3.0
Nonmetropolitan	31	923	3.4
Texas:			
Central city	38	479	7.9
Outside central city	36	485	7.4
Nonmetropolitan	63	535	11.8
Michigan:			
Central city	29	683	4.2
Outside central city	17	666	2.5
Nonmetropolitan	30	629	4.8
Massachusetts:			
Central city	69	675	10.2
Outside central city	38	779	4.8
Nonmetropolitan	(1)	(1)	(1)

[1] Not available.

Despite these and other problems, we believe that the Federal role in education can provide a needed stimulus to reform, a lever to move far more than the weight of its own slim share of educational finance. Our concluding section will contain recommendations to that end.

Chapter V

THE ROLE OF THE COURTS

In the last few months, a powerful but uncertain force has begun to upset the equilibrium of patterns of educational finance. Armed with the equal protection clause of the United States Constitution, judges in both the Supreme Court of California and a United States District Court in Minnesota have invalidated State systems for raising and supporting their public schools. Coming at a time of taxpayer revolts against increased spending for education and a growing discontent on the part of civil rights and community groups over the inequities in existing allocation patterns, these decisions have been widely and often wildly welcomed. Yet we fear that much of the enthusiasm for these decisions arises from wishful thinking about what the courts have done—and it will probably not be long before the awakening comes. In short, we would suggest that what the courts have done is to provide an opportunity, not an answer; a starting point for reform, not a solution to the unfairness and irrationality of educational funding in America. Justice Sullivan's opinion for the 6–1 majority in the prestigious California Supreme Court says only that school finance systems [should not] "invidiously discriminate against the poor [by making] the quality of a child's education a function of the wealth of his parents and neighbors." How educational resources should be allocated, however, is a matter for legislatures to determine, and the range of permissible alternatives would seem to be wide and of mixed value. Let us examine the court decisions and possible remedies in somewhat greater detail.

In *Van Dusartz* versus *Hatfield*, decided October 12, a Federal District Court applied the reasoning of *Serrano* to Minnesota. First, Judge Lord found that education is a fundamental right, subject to special judicial solicitude:

> If the State's objective is a "general and uniform system" of education, as Article VIII, Sections 1 and 2 of the Minnesota Constitution declare, it might be wondered whether the means chosen are rationally adapted to that goal.
>
> However, this issue is not reached because, in the present case, the stricter test of equal protection is clearly more appropriate. This approach requiring close scrutiny of the State law by the Court is triggered whenever either a "fundamental interest" is at stake or the State has employed a "suspect

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classification." Here both such factors are involved and mutually reinforce the pupil plaintiffs' attack upon the system.*

Then, the court held that the disparities in funding based upon local property base variations and a nonequalizing State aid system are constitutionally invalid:

> In a number of decisions over the last 15 years the United States Supreme Court has made it plain that classifications based upon wealth are suspect. These decisions, convincingly analyzed in *Serrano*, are well known and need no comment here. What is important to note is that the objection to classification by wealth are State created. This is not the simple instance in which a poor man is injured by his lack of funds. Here the poverty is that of a governmental unit that the State itself has defined and commissioned. The heaviest burdens of this system surely fall *de facto* upon those poor families residing in poor districts who cannot escape to private schools, but this effect only magnifies the odiousness of the explicit discrimination by the law itself against all children living in relatively poor districts.
>
> This does not suggest that by itself discrimination by wealth is necessarily decisive. No court has so held. However, when the wealth classification affects the distribution of public education, the constitutional significance is cumulative.
>
> It cannot be argued [denied] that a quality education endows its recipient with a distinct economic advantage over his less educated brethren. By these standards the inexorable effect of educational financing systems as here maintained puts the State in the position of making the rich richer and the poor poorer. If added to this problem is the problem that the parents of children who live in poor districts have also a lower income than the parents in wealthier districts, then the disparity may be even more severe than that alleged by plaintiffs.**

Finally, touching upon the implications of the new ruling the court made clear that it was not imposing a rigid formula but a rule of "fiscal neutrality":

> In fact, it is the singular virtue of the *Serrano* principle that the State remains free to pursue all imaginable interests except that of distributing education according to wealth. The State makes the argument that what plaintiffs seek here is uniformity of expenditure for each pupil in Minnesota. Neither this case nor *Serrano* requires absolute uniformity of school expenditures. On the contrary, the fiscal neutrality principle not only removes discrimination by wealth but also allows free play to local effort and choice and openly permits the State to adopt one of many optional school funding systems which do not violate the equal protection clause.***

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*_Van Dusartz_ v. _Hatfield_, U.S. District Court, District of Minnesota, Third Division No. 3–71 Civ. 243, Pg. 6 (October 12, 1971).

**_Ibid_, pg. 9.

***_Ibid_, pg. 10.

In summary, Judge Lord ruled as follows:

> The issue posed by the children, here as in *Serrano*, is whether pupils in publicly financed elementary and secondary schools enjoy a right under the equal protection guarantee of the 14th Amendment to have the level of spending for their education unaffected by variations in the taxable wealth of their school district or their parents. This Court concludes that such a right indeed exists and that the principle announced in *Serrano* v. *Priest* is correct. Plainly put, the rule is that the level of spending for a child's education may not be a function of wealth other than the wealth of the State as a whole.*

Were these decisions in California and Minnesota to become the law of the land, what alternatives would be open to State legislatures in the types of systems they could constitutionally adopt? As yet we can only speculate, but the following approaches would seem to be permissible.

1. Full State assumption of the costs of education.
2. Power equalizing State aid, i.e. State aid designed to compensate for disparities in local tax bases so that at any level of effort every community would raise the same amount of money per pupil through the combination of locally raised revenues and compensating State aid.
3. Redistricting school districts in such a way that all had equal property valuation.
4. Aid distribution systems that, regardless of the revenue raising system, insured that educational expenditures were either equalized in absolute terms or were distributed in proportion to a criteria such as educational need.

The impact of these alternatives is quite different indeed. For example, the first, State assumption of the costs of education will entail the raising of additional State revenues. If the increased source of funds is a State income tax that is progressive in its rate structure, the result may be very much in keeping with the approach to equity in raising funds for education preferred by the authors of this report. If, on the other hand, a statewide property tax is employed, and the rates are higher than the characteristically lower *education* tax rates of the central cities—total tax rates are higher in cities than in other regions of States because of the demand for general governmental services—the results of *Serrano*-type litigation would be higher taxation of urban areas for education than is currently the case. If the alternative selected for the distribution of educational services is the equal expenditures approach rather than some measure of educational need, since large city educational expenditure levels tend to be higher than the *average* for the entire State—although they are generally lower than most of their suburbs—the results of a school finance case could result in no additional urban expenditures and perhaps even a lowering of them to a rigidly enforced State norm. In short, the result of one possible constitutional alternative—statewide assumption of educational costs through a State property tax and a distribution of educational

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* *Ibid.* Pg. 2

services through an equal expenditures per child formula—could result in higher taxation of city residents for the benefit of education in suburban or rural areas.

Other alternatives would, of course, be more equitable in their effects. Raising revenues through the income tax, plus a heavy component of educational need in the distribution mechanism, would be in keeping with our conception of equal educational opportunity. The point, however, is that the impact of *Serrano* and *Van Dusartz* is highly uncertain at this time, and courts and legislatures will need all the wisdom they can exercise in working their way through this thorny fiscal and educational thicket.

Chapter VI

RECOMMENDATIONS

We have attempted in this testimony to summarize how public schools are financed, but we also have identified the major criteria we believe to be most appropriate for judging how equitably the present finance scheme is serving the public interest. We have based these criteria on a definition of equal educational opportunity and used that definition as a yardstick against which present local, State, and Federal financing arrangements can be measured.

As the testimony reveals, we find present school finance plans sadly dysfunctional in terms of our definition of equal educational opportunity. Our analysis of the ills of the present system has also suggested a number of general policy recommendations that, if implemented, would dramatically reduce the gap between the promise-equality and the reality-inequality in America's public schools. While we do not argue at length for the recommendations in this testimony, the rationales for the recommendations are substantially reflected in our earlier review of how the present system works.

Major fiscal reform in public education must begin at the State level. We believe strongly that the fiscal inequities which plague public education will never be removed unless States assume complete financial responsibility for this vital State responsibility. Specifically, we favor State action first of all to remove the power local school districts now have to tax property and adoption, ideally, of a graduated State income tax sufficient to provide school revenues. Reality suggests, however, that a source of government revenue as productive in its yield as the property tax will not disappear, and if this is the case we favor State assumption of the property tax, including its administration, at a modest but uniform statewide property tax rate.

The State would then have to devise criteria with which to distribute school funds. We favor a basic per pupil distribution with additional amounts for disadvantaged pupils as measured by low aptitude or attainment scores and low socioeconomic status. While other distribution plans could be fashioned and other revenue packages could be defended, we have suggested general approaches we feel to be worthy of serious public consideration.

We stress State action because State-local taxes raise $.93 of every school dollar and because education is primarily a *State*, not local or Federal, responsibility. However, we would not deny for a moment that there is an important role for the Federal Government to perform in redressing the fiscal inequities in education. We summarize below our key recommendations, recognizing full well the complexi-

ties of the issues involved, and again basing the summary recommendations primarily on the analyses we previously presented of the Federal role as it currently operates.

First, it is clear that the only Federal program now providing substantial dollars for the public schooling of poor children in ESEA Title I. As presently funded, Title I provides abouts $1 per participating child per school day—hardly a sum to engender confidence in the program's prospects for success. We favor substantially larger funding for Title I because it targets Federal dollars on children shortchanged by local and State funding patterns while allowing great State and local discretion in determining the nature of the educational program itself.

Federal regulations now require "comparability" in State and local funds as a prerequisite for a school district's receiving Federal funds. We urge rigorous enforcement of this desirable but slippery target so that Federal dollars—notably Title I—can provide the compensatory services for which they were designed, instead of merely filling in the holes left by discriminatory State and local funding plans.

New Federal education programs should feature fiscal arrangements which require and/or stimulate State governments to reform their own State school finance programs. Specifically, Federal aid should be designed to encourage State governments to build State finance plans which not only reduce expenditure disparities and move toward full State funding, but also take into account the total fiscal effort of localities, and pupil characteristics which correlate closely with low achievement. Use of those two sets of factors by States would almost surely increase the State aid flowing to urban districts, and would tend to decrease the possibility that States might balance any Federal increase in urban aid by increases in State aid to suburbs.

A second part of this same problem is the difficulty of assuring that increases in Federal aid are not completely absorbed through salary increases for school personnel, or for tax relief. The former can be partially handled by requiring some sort of proposal from the local distict which specifies the educational sevices to be provided with the Federal money. The latter problem can partially be handled by congressional provision that State and local appropriations shall not be reduced. However, this does not provide protection against action by local tax assessors, who, perceiving new resources available to the schools, may lower assessments or fail to raise them in accordance with growth of market values, thereby reducing the actual taxing power of many urban and nonurban boards of education which operate under fixed maximum rates.

Finally, we point to a critical inadequacy in the data available to the Congress and the public regarding Federal aid to education. One of the key fiscal statistics upon which Federal policy should be built is the aggregate Federal aid to each local educational agency, including all Federal programs aiding public schools. Such data would be extremely useful in identifying the extent to which particular national priority, say, urban education, is receiving support at the present time. In other words, it would tell us what our policy now is. Unfor-

tunately, these data are now available only in crude and incomplete form.

The availability of comprehensive data affects decisionmaking at the Federal level in three ways. First, it provides basic tools and essential information by which the Executive Branch and the Congress can view American education on a nationwide scale and set national priorities for Federal action. Second, availability of comprehensive data permits the design of realistic programs of Federal expenditures to achieve these goals. Finally, it provides a means by which the Federal Government can evaluate the outcomes of program designs both in terms of the distribution of Federal funds and the resulting programmatic and aggregate impact of those funds prior to making new policy decisions. Until school-by-school data are available on the delivery of school services and the allocation of school resources, and until such data are meaningfully linked to their effects on children in specific classrooms, educational policymakers will operate through hunch and guess rather than through a reasoned appraisal of problems and possibilities of public policy.

Chapter VII

CONCLUSION

This report has described and analyzed the financial aspects of inequality of educational opportunity in the United States. It has emphasized the disparities among the level of expenditures in different school districts, has shown that these variations are frequently inverse to the educational need of different communities, and has traced the inequities back to their cause in unequal property tax bases and ineffective State aid equalization formulas. Recent court cases declaring financial inequities unconstitutional were discussed, and their impact was evaluated. Our report closed with a series of recommendations for State and Federal action intended to alleviate the problems we described.

We have not, however, meant to suggest that finances alone control the quality of education in America. We are fully aware of the problems in educational effectiveness that plague many of the schools of the Nation and of the superior education that occurs in many underfinanced schools. Yet we are firmly convinced that while more money alone will not solve the crisis in educational quality, lessening the resources available to educators is even less effective in improving education. In short, while more money by itself is not the sole answer to improving the quality of education available to all Americans, it seems to be far more effective than whatever factor may be considered second best. For money buys smaller classes, improved teaching devices, experimentation, new schools to achieve integration, counseling services or near-clinical personnel usage, or whatever other techniques research, development and practice find to be most promising.

But even aside from the question of educational effectiveness, we have little patience with those who ask us to prove, as a condition precedent to reform, that achieving greater equity in the raising and the distribution of revenues will result in improved performance in the schools. For the end result of throwing roadblocks in the way of change is to support the maintenance of the system of educational finance we have described in this report, a system which regularly provides the most lavish educational services to those who have the highest incomes, live in the wealthiest communities, and are of majority ethnic status. In our eyes, this situation is the very definition of inequality of educational opportunity. For a Nation which has aspirations toward achieving an educated, humane, prosperous, and democratic society, reversing that inequitable pattern of educational resource distribution must be at least as high an educational priority as the development of new and more effective ways to help all children to learn.

INEQUITIES IN SCHOOL FINANCE

IMPLICATIONS OF THE SCHOOL FINANCE CASES AND PROPOSED FEDERAL REVENUE SHARING PROGRAMS

A Paper Presented at the
1971 Annual Convention of the
American Academy for
the Advancement of Science

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PREFACE

American educational finance is characterized by inequities both in the way it distributes educational services and in the way it allocates the burdens of paying for these services. In particular, large central cities are among the areas that are consistently denied educational resources in proportion to their need despite higher overall tax effort than in neighboring jurisdictions.

Recent court cases which have invalidated systems of State finance for public education as violations of the 14th Amendment are unlikely to change such inequitable patterns of resource distribution. If States assume the financing of the current local share of educational revenues through broadbased, proportional rather than progressive taxes, cities will pay more for education than they do at present. If States distribute those revenues back to localities in equal per-pupil amounts, cities will frequently get less from the State redistribution than they currently spend from local sources. It is entirely possible that revisions in State finance that come in the wake of the new legal doctrines may result in higher taxes and lower or at best no greater educational expenditures for urban education.

We believe, therefore, that any program of Federal revenue sharing that is designed to reach the most serious fiscal problems of American public education must be focused on the special fiscal problems of education in large cities and in other areas of relatively low fiscal capacity for raising educational revenues and high incidence of need for costly educational programs.

Such legislation might include a larger proportion of aid being siphoned through the Title I formula or through a formula that would permit States to utilize statewide attainment or aptitude test results as a means of focusing resources where the problems are the greatest. Provisions requiring States to move toward the standard that higher local wealth may not permit higher educational expenditures would also be appropriate to even out the disparities which characterize current finance patterns. But any provision for educational revenue sharing which would permit States to distribute Federal educational revenues according to the historic patterns of State aid would be disastrous in our eyes. The existence of the impetus toward change which *Serrano*, *Van Dusartz*, and *Rodriguez* have given are no assurance—as our analysis indicates—that new money will be distributed in order to provide greater equality of educational opportunity or greater responsiveness to fiscal need.

INTRODUCTION

This paper grows out of a series of research efforts that the authors have been engaged in over the past few years, both jointly, individually, and with other colleagues. Most directly, this paper is based upon two current studies:

1. An examination of the legal and fiscal dimensions of inequalities of educational opportunity*; and
2. An analysis of the 1970 Census data on financial and demographic trends in the largest metropolitan areas of the Nation.**

While the sources of our findings are therefore varied and involve a variety of methodological techniques, the policy implications seem to us to be eminently clear, and may be stated rather simply as follows.

First, American educational finance is characterized by inequities both in the way it distributes educational services and in the way it allocates the burdens of paying for these services. In particular, large central cities are among the areas that are consistently denied educational resources in proportion to their need despite higher overall tax effort than in neighboring jurisdictions. Second, recent court cases which have invalidated systems of State finance for public education as violations of the 14th Amendment are unlikely to change such inequitable patterns of resource distribution. Indeed, it is entirely possible that revisions in State finance that come in the wake of the new legal doctrines may result in higher taxes and lower or at best no greater educational expenditures for urban education. Third, we believe, therefore, that any program of Federal revenue sharing that is designed to reach the most serious fiscal problems of American public education must be focused on the special fiscal problems of education in large cities and in other areas which exhibit relatively low fiscal capacity for raising educational revenues and which have high incidence of need for costly educational programs.

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*Joel S. Berke, "The Political Economy of Equal Educational Opportunity," conducted under a Ford Foundation Travel and Study grant at the Brookings Institution, Washington, D.C., 1971–72.

**John J. Callahan and Seymour Sacks, "Fiscal Disparities and Urban Growth," a project conducted for the Advisory Commission on Intergovernmental Relations, 1971–72.

Chapter I

INEQUITIES IN FINANCING THE PUBLIC SCHOOLS

The current approach to financing America's public schools is characterized by inequality of educational opportunity and inequity in the distribution of the burden of supporting educational services. This inequality and inequity stems not simply from the fact that there are marked differences in the quality of education among the schools, school districts, States and regions of the Nation. Rather, what makes those disparities inequitable is that the students who receive the highest quality education are frequently those from the most advantaged backgrounds, while those who come from the most impoverished communities and most disadvantaged social backgrounds often receive no more and frequently far less in the quality of educational services as measured by per-pupil expenditures. Further, under our archaic system of distributing the costs of education, we find that communities which are the most hardpressed to raise revenues for public services in general or for education in particular are the same communities which have the highest educational burdens to support; while those communities whose needs for the total package of public services are less, or where property tax bases are higher than their neighbors', frequently tax themselves far less yet provide superior educational services.

Interstate and Intrastate Disparities in Educational Expenditures

Let us disentangle the various elements of our argument and document each count of the indictment we have just made. First, the disparities in educational quality as measured by the level of expenditures on education.

Among the States, average expenditures currently range from a high of approximately $1,400 to a low of less than $500. (See Table I.) While such statistics appear to be of major current interest, they are really exceedingly difficult to interpret because of the immense variety in the educational finance systems of the 50 States and because State averages, by definition, mask the range of disparities by averaging out high and low districts. In some States, substantial costs for fringe benefits or for school health services may be borne by some jurisdiction other than the school system and so may not appear in average school expenditure statistics. In some States, all school districts may be spending in a very narrow range of variation while in other States there may be vast disparities among the quality of education within the State; yet, the two States may appear quite similar when the average State expenditure is computed.

TABLE I.—*Current expend ture per pupil in ADA, public elementary and secondary schools, by State*

State	Expenditure per pupil in ADA, 1970–71	Percent of U.S. average	Percent change, 1960–61 to 1970–71
(1)	(2)	(3)	(4)
Alaska	$1, 429	170. 3	156. 1
New York	1, 370	163. 3	134. 2
New Jersey	1, 088	129. 7	112. 5
Vermont	1, 088	129. 7	210. 9
Hawaii	1, 050	125. 1	214. 4
Iowa [1]	1, 004	119. 7	160. 1
Connecticut	997	118. 8	117. 7
Wisconsin	988	117. 8	131. 4
Maryland	974	116. 1	131. 9
Delaware	954	113. 7	105. 2
Rhode Island	951	113. 3	125. 9
Pennsylvania	948	113. 0	124. 1
Illinois	937	111. 7	92. 0
Oregon	935	111. 4	104. 6
Wyoming	927	110. 5	80. 2
Washington	873	104. 1	103. 0
Minnesota	864	103. 0	99. 1
Michigan	858	102. 3	101. 4
Montana	858	102. 3	99. 1
Arizona	825	98. 3	101. 7
Louisiana	808	96. 3	107. 7
Nevada	804	95. 8	85. 7
Virginia	800	95. 4	190. 9
California	799	95. 2	74. 8
Colorado	780	93. 0	92. 6
Ohio	778	92. 7	85. 7
Kansas	771	91. 9	97. 7
Florida	765	91. 2	138. 3
Maine	763	90. 9	150. 2
Missouri	761	90. 7	116. 2
Indiana	741	88. 3	98. 1
Massachusetts	735	87. 6	69. 0
New Hampshire	729	86. 9	98. 1
New Mexico	713	85. 0	95. 9
North Dakota	689	82. 1	83. 7
South Dakota	688	82. 0	85. 9
West Virginia	684	81. 5	151. 5
Nebraska	683	81. 4	96. 3
South Carolina	656	78. 2	185. 2
Texas	646	77. 0	95. 2
Utah	643	76. 6	102. 2
North Carolina	642	76. 5	166. 4
Georgia	634	75. 6	148. 6
Kentucky	621	74. 0	150. 4
Oklahoma	605	72. 1	89. 1
Idaho	595	70. 9	98. 3
Tennessee	590	70. 3	152. 1
Arkansas	578	68. 9	141. 3
Mississippi	521	62. 1	142. 3
Alabama	489	58. 3	98. 8
United States	839	100. 0	113. 5

[1] Includes expenditures for area vocational schools and junior colleges.

Source: National Education Association, Research Division, *Estimates of School Statistics, 1961–62*. Research Report 1961–R22. Washington, D.C.: the Association, 1961. p. 29, 31.

National Education Association, Research Division. *Estimates of School Statistics, 1970–71*. Research Report 1970–R15. Washington, D.C.: the Association, 1970. p. 37.

A second and somewhat more meaningful look at the disparities in educational offerings in the Nation, however, is to examine the range of spending among school districts of each State. Table II shows the high and low expenditure districts in the 49 States with local school districts. Here we begin to reach a somewhat more meaningful unit of analysis, since there is far greater uniformity of the elements being compared within a given State than between States. Also, there is in actuality far more competition among pupils in a given State than there is between pupils from, say, New York and Wyoming. Within a State, the student getting a better education may well be competing in a job market against the student whose school system has given him less effective training, and the inequalities in educational offering become more than an abstract unfairness.

TABLE II.—*Interstate disparities in per pupil expenditures 1969–70*

	High	Low	High/low index
Alabama	$581	$344	1.7
Alaska	1,810	480	3.8
Arizona	2,223	436	5.1
Arkansas	664	343	2.0
California	2,414	569	4.2
Colorado	2,801	444	6.3
Connecticut	1,311	499	2.6
Delaware	1,081	633	1.7
District of Columbia			
Florida	1,036	593	1.7
Georgia	736	365	2.0
Hawaii			
Idaho	1,763	474	3.7
Illinois	2,295	391	5.9
Indiana	965	447	2.2
Iowa	1,167	592	2.0
Kansas	1,831	454	4.0
Kentucky	885	358	2.5
Louisiana	892	499	1.8
Maine	1,555	229	6.8
Maryland	1,037	635	1.6
Massachusetts	1,281	515	2.5
Michigan	1,364	491	2.8
Minnesota	903	370	2.4
Mississippi	825	283	3.0
Missouri	1,699	213	4.0
Montana average of groups	1,716	539	3.2
Nebraska average of groups	1,175	623	1.9
Nevada	1,679	746	2.3
New Hampshire	1,191	311	3.8
New Jersey, 1968–69	1,485	400	3.7
New Mexico	1,183	477	2.5
New York	1,889	669	2.8
North Carolina	733	467	1.4
North Dakota county averages	1,623	686	2.3
Ohio	1,685	413	4.0
Oklahoma	2,566	342	7.5
Oregon	1,432	399	3.5
Pennsylvania	1,401	484	2.9
Rhode Island	1,206	531	2.3
South Carolina	610	397	1.5

TABLE VI.—*Per capita total expenditures, 1957–70*—Continued
1969–70—Continued

	High	Low	High/low index
South Dakota	1, 741	350	5. 0
Tennessee	700	315	2. 4
Texas	5, 334	264	20. 2
Utah	1, 515	533	2. 3
Vermont	1, 517	357	4. 2
Virginia	1, 126	441	2. 6
Washington	3, 406	434	7. 8
West Virginia	722	502	1. 4
Wisconsin	1, 432	344	4. 2
Wyoming	14, 554	618	23. 6

NOTES

For New Jersey data are for fiscal year 1969 since fiscal year 1970 data were not yet available.
For Alaska data represent revenue per pupil.
For Montana and Nebraska data are high and low of average for districts grouped by size.
For North Dakota data are averages of expenditures of all districts within a county.
Data are not fully comparable between States since they are based entirely on what data the individual State included in their expenditure per pupil analysis.

Source: State reports and verbal contacts with State officials. U.S. Senate Select Committee on Equal Educational Opportunity.

While as was the case with the interstate comparisons there are numerous methodological difficulties, the main thrust of Table II is clear: School expenditures vary markedly within individual States, and indeed vary far more within States than they do among State averages. While the extreme instances of the highest per-pupil expenditure district spending 20 times the lowest per-pupil expenditure district (as in Texas) are exceedingly anomalous situations usually reflecting the existence of very rich and very small school districts, disparities of two to one are characteristic in most States, and variations of three, four and five to one are not at all unusual. What these figures indicate is that States spend far more on the education of some of their students than they do on others. Are those differences contrasts in the quality of education or just in its cost?

EXPENDITURES AND THE QUALITY OF EDUCATION

Cost differentials account for some of the difference in expenditure; different salary levels for teachers of equal quality may explain away another portion of the disparity. Yet after all the discounts are made, one is left with the belief that disparities of these magnitudes must imply substantial differences in the quality of education received by students within each State. Two tables of statistics may shed some slight light on this question. Table III shows disparities between selected central cities and their "best" surrounding suburban systems in terms not only of dollars but of pupil-teacher ratios. While it may be difficult to prove statistically that marginally smaller classes improve education, try asking any student whether he learns more in smaller

or larger classes. In any event, the differences in this table are not marginal—they average about one-third, and demonstrate, we submit, a linkage between expenditures and quality.

TABLE III.—*Comparison of pupil/teacher ratio in selected central cities and suburbs, 1967* [1]

City and suburb	Pupil/teacher ratio	Per pupil expenditures
Los Angeles	27	$601
Beverly Hills	17	1, 192
San Francisco	26	693
Palo Alto	21	984
Chicago	28	571
Evanston	18	757
Detroit	31	530
Grosse Pointe	22	713
St. Louis	30	525
University City	22	747
New York City	20	854
Great Neck	16	1, 391
Cleveland	28	559
Cleveland Heights	22	703
Philadelphia	27	617
Lower Merion	20	733

[1] Taken from: "The Urban Education Task Force Report" (Wilson C. Riles, chairman), New York, N.Y.: Praeger Publishers, Inc., 1970.

Source: Gerald Kahn and Warren A. Hughes, Statistics of Local Public School Systems, 1967, National Center for Educational Statistics, U.S. Office of Education.

Table IV, makes the same point another way. Drawn from an evidentiary affidavit in the most recently successful school finance case, it shows the variation in indicators of school quality among the range of types of school districts in the San Antonio area of Texas. What is clear is that the district spending $595 per pupil, compared with the districts spending $394 and $356 per pupil, pays higher salaries, has more teachers with advanced training, has less uncertified teachers, has more counselors proportional to its number of students, and has more professional personnel of all kinds relative to the number of students. While it may be argued that any one of these factors in itself does not mean higher quality education, it seems to us that a reasonable inference from the consistency in these five quality variables is that the higher expenditure school districts are also offering higher quality education.*

* This paper will not address to any substantial extent the disparities in expenditures among schools within a given school district. Data in that area is rare and untrustworthy. However, one intensive study conducted of three large school districts in New York State and several studies in other areas suggest that while disparities do exist, they are relatively mild in terms of expenditure, seldom reaching more than one-third greater expenditures in the highest spending schools viz a viz the lowest expenditure schools, although there are significant differences in the training and seniority of staff in different schools.

TABLE IV.—*The relationship between district wealth and educational quality, Texas school districts categorized by equalized property valuation and selected indicators of educational quality*

Selected districts from high to low by market value per pupil [1]	Total revenues per pupil [2]	Professional salaries per pupil [2]	Percent, teachers with masters degrees [3]	Percent of total staff with emergency permits [2]	Counselor student ratios [2]	Professional personnel per 100 pupils
Alamo Heights	$595	$372	40	11	645	4. 80
North East	468	288	24	7	1, 516	4. 50
San Antonio	422	251	29	17	2, 320	4. 00
North Side	443	258	20	17	1, 493	4. 30
Harlandale	394	243	21	22	1, 800	4. 00
Edgewood	356	209	15	47	3, 098	4. 06

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.
[2] *Ibid.*
[3] U.S. District Court, Western District of Texas, San Antonio Division, *Answers to Interrogatories*, civil action No. 68-175-SA.

NOTE.—Table from evidentiary affidavit of Joel S. Berke in *Rodriguez* v. *San Antonio School District*

DISPARITIES AND NEED

While disparities may in themselves raise questions about the equity of school finance, we believe they are relatively unimportant in and of themselves. Disparities become inequities in our eyes only when they are related to concepts of educational and fiscal need. To the authors of this paper, an equitable system would be one in which greater educational resources would be allocated to those students who come to school with the greatest learning problems and the greatest social disadvantage. Equal educational opportunity, in other words, means to us an allocation of educational services that is intended to make it possible, at least insofar as schools are capable of so doing, for pupils from low socioeconomic backgrounds to compete equally for higher educational and job opportunities with those who come from more advantaged walks of life. Our reading of the current allocation of educational services suggests that this is not the prevailing pattern, and that indeed the prevailing pattern is one which may best be described as one in which "them as has, gits."*

THE SPECIAL FISCAL PROBLEMS OF LARGE CENTRAL CITIES

The mismatch between educational resources and educational and fiscal need for those resources may be seen most clearly in the large

*** Furthermore, not only do we maintain that the distribution of educational services denies equal educational opportunity; we maintain that the costs of those services take a greater toll from those less able to pay than it does from those who are better off. For purposes of this paper we will confine our analysis to the comparative fiscal capacity among jurisdictions rather than among individuals, but we believe analysis would show that the same pattern holds for individuals as well as for jurisdictions.**

central cities of the Nation, particularly those in the Northeast and Midwest. This is not to say that other areas, some suburban and some rural, do not exhibit some of the same problems facing central cities. What does seem clear, however, is that the problems are sharpest and most easily seen in the older metropolises of the Nation.

There is a rather substantial literature that documents the relationship between low income and ethnic minority status on the one hand and educational disadvantage on the other. In terms both of nonwhite population and proportion of low-income families, large central cities lead their surrounding areas by substantial proportions. In the 37 largest metropolitan areas, central cities average better than 20-percent black population, while the outlying areas have approximately 5 percent. The percentage of nonwhite students in the schools is considerably higher than that in the general population in the cities due to the high proportion of white students in nonpublic schools and because of larger proportions of nonwhite families with children in core cities. The results may be seen in Table V. While Chicago, for example, had a 28-percent nonwhite population, it had a 52-percent nonwhite public school population; Washington, with a 66-percent general population proportion nonwhite had an 88-percent nonwhite school enrollment.

TABLE V.—*Nonwhite population contrasted with nonwhite school enrollment for 15 largest cities: 1960–65*

[In percent]

City	Percent nonwhite of total population		Percent nonwhite of school population	
	1960	1965 [1]	1960	1965
New York	15	18	22	28
Chicago	24	28	40	52
Los Angeles	17	21	21	21
Philadelphia	27	31	47	55
Detroit	29	34	43	56
Baltimore	35	38	50	61
Houston	23	23	30	34
Cleveland	29	34	46	49
Washington	55	66	78	88
St. Louis	29	36	49	60
Milwaukee	9	11	16	21
San Francisco	18	20	31	43
Boston	10	13	16	26
Dallas	19	21	26	27
New Orleans	37	41	55	63

[1] Nonwhite figures based on 1960 ratio of Negroes to total nonwhite population applied to 1965 Negro population.

Source: U.S. Department of Health, Education, and Welfare, Office of Education, National Center for Educational Statistics, Division of Statistical Analysis, Reference, Estimates and Projections Branch; and Seymour Sacks, *Educational Finance in Large Cities*, forthcoming (Education in Large Cities Series), Syracuse University Press, 1970. U.S. Bureau of the Census: *Statistical Abstract of the United States, 1968*, 89th ed. (Washington, D.C. 1968).

From: Alan K. Campbell and Donna E. Shalala, *The States and the Urban Crises*, Englewood Cliffs: Prentice Hall, 1970 p. 10.

Concentrations of low-income families whose children tend to have lower school achievement levels also constitute a higher proportion of central city populations than suburban populations. While the variety among suburbs is marked, the general tendencies come through loud and clear. Particularly in the largest metropolitan areas of the Northeast and Midwest, considerably higher proportions of families earn under $3,000 in central cities than in the rest of the metropolitan area. In short, students who are apt to present special learning problems and whose education presumably requires higher resource inputs in terms of teaching and counseling time and special programs to compensate for environmental disabilities are present disproportionately in city populations.

Cities also must pay higher prices for educational goods and services. Land acquisition costs, insurance rates, vandalism expenses, and nonprofessional personnel costs all reflect higher costs of living in central cities. But bulking largest in school budgets are costs for instructional personnel, and here a combination of factors has pushed central city costs well above those in suburbs. Several studies are currently in progress which will document this phenomenon, but its elements may be stated although the tables are not yet available for release. Teacher unions have increased urban salaries at a faster rate than salaries in outlying regions, particularly by shortening the time required to reach maximum pay rates. Thus, although starting salaries may be comparable, cities have higher average teacher costs because there are fewer steps in the upward scale. A second phenomenon, that of the upward pressure exhibited because of greater public employee unionism in noneducational services, also has its impact. Sanitationmen, firemen, police, civil service employees all bid up public pay scales in cities in a familiar round of "look how much the ——— are getting." In suburban areas, this militant competition is far less prevalent because of lower service levels and less union organization.

TABLE VI.—*Per capita total expenditures, 1957–70*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Northeast:				
Washington, D.C.	$239	$131	$1,006	$425
Baltimore, Md.	199	142	638	349
Boston, Mass.	273	181	531	365
Newark, N.J.	243	181	735	441
Paterson-Clifton-Passaic, N.J.	155	187	381	381
Buffalo, N.Y.	193	210	528	520
New York City, N.Y.	257	260	894	644
Rochester, N.Y.	200	196	699	548
Philadelphia, Pa.	165	138	495	325
Pittsburgh, Pa.	188	128	450	309
Providence, R.I.	160	99	392	265

See footnote at end of table.

TABLE VI.—*Per capita total expenditures, 1957–70—Continued*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Midwest:				
Chicago, Ill	202	142	473	352
Indianapolis, Ind	178	107	355	306
Detroit, Mich	202	200	474	462
Minneapolis-St. Paul, Minn	185	188	540	520
Kansas City, Mo	186	112	485	347
St. Louis, Mo	149	124	463	292
Cincinnati, Ohio	246	117	761	262
Cleveland, Ohio	183	193	512	371
Columbus, Ohio	166	156	398	290
Dayton, Ohio	167	129	434	285
Milwaukee, Wis	229	210	562	456
South:				
Miami, Fla	226	169	481	387
Tampa-St. Petersburg, Fla	159	89	362	300
Atlanta, Ga	158	100	554	315
Louisville, Ky	162	114	508	302
New Orleans, La	163	120	334	325
Dallas, Tex	184	108	352	379
Houston, Tex	155	187	305	307
San Antonio, Tex	113	104	244	258
West:				
Los Angeles-Long Beach, Calif	267	203	624	529
San Bernardino, Riverside, Ontario, Calif	296	192	624	529
San Diego, Calif	191	189	484	472
San Francisco-Oakland Calif	223	230	768	596
Denver, Colo	214	147	502	306
Portland, Oreg	203	131	486	328
Seattle-Everett, Wash	174	142	524	471
Total	196 (212)	155 (170)	523 (600)	384 (419)

[1] That is the suburban ring.

Higher costs in the school system are but a part of the overall financial problem of the central cities. Perhaps their greatest problem in raising educational revenues derives from the far higher costs they must bear for general public services than much less densely populated areas. The roll of urban public needs need not be called; let some simple overall statistics summarize. While central cities in the largest metropolitan areas average $600 per capita in total local public expenditures for all services, outside central city area total expenditures in those metropolitan areas average only $419 per person. (See Table VI.) Thus the tax dollar in the city must support a far heavier burden for noneducation services in cities. Education dollars are, therefore,

far harder to raise than in suburbs. The result is that while roughly 30 percent of city expenditures are educational, suburbs devote more than 50 percent of their budgets to their schools. (See Table VII.) There seem to be at least two implications of this situation. Most obviously, the pressure for general public services makes it more difficult for cities to meet their pressing educational needs than for the suburbs.

TABLE VII.—*Education expenditures as a percent of total expenditures, 1957–70*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Northeast:				
Washington, D.C.	21	64	26	57
Baltimore, Md.	30	50	35	62
Boston, Mass.	19	37	26	49
Newark, N.J.	31	49	29	47
Paterson-Clifton-Passaic, N.J.	36	52	37	52
Buffalo, N.Y.	27	47	31	50
New York, N.Y.	25	54	24	52
Rochester, N.Y.	27	47	32	59
Philadelphia, Pa.	30	52	35	63
Pittsburgh, Pa.	22	50	34	58
Providence, R.I.	38	60	35	55
Midwest:				
Chicago, Ill.	24	61	33	57
Indianapolis, Ind.	35	70	41	63
Detroit, Mich.	30	57	37	57
Minneapolis-St. Paul, Minn.	30	51	29	55
Kansas City, Mo.	34	49	35	56
St. Louis, Mo.	31	57	38	64
Cincinnati, Ohio	33	47	45	50
Cleveland, Ohio	27	44	41	53
Columbus, Ohio	31	60	33	62
Dayton, Ohio	28	61	38	60
Milwaukee, Wis.	22	41	33	55
South:				
Miami, Fla.	31	41	42	52
Tampa-St. Petersburg, Fla.	30	56	45	54
Atlanta, Ga.	35	53	39	61
Louisville, Ky.	38	62	48	70
New Orleans, La.	28	33	38	38
Dallas, Tex.	35	59	40	56
Houston, Tex.	42	67	46	60
San Antonio, Tex.	43	84	50	77

[1] See footnote at end of table.

TABLE VII.—*Education expenditures as a percent of total expenditures, 1957–60*—Continued

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
West:				
Los Angeles-Long Beach Calif.	37	46	31	43
San Bernardino, Riverside, Ontario, Calif.	50	42	42	44
San Diego, Calif.	38	48	38	48
San Francisco-Oakland, Calif.	29	49	27	44
Denver, Colo.	34	50	34	64
Portland, Oreg.	37	61	39	65
Seattle-Everett, Wash.	33	61	29	58
Total	32 (29)	53 (51)	36 (31)	56 (53)

[1] That is the suburban ring.

But more important for the workings of school finance formulas, it suggests that the usual measure of the capacity of a district to support educational services should take into account this consistent pattern of municipal overburden. One of the reasons for the lower levels of State aid that have traditionally gone to central cities has been the fact that formulas measuring comparative need were based on the per-pupil value of taxable real property in the school district. Since cities tend to have tax bases equal to or greater than their neighbors when computed on this basis, equalizing aid formulas helped the outside and rural areas more than the "richer" cities. But when one takes into account the greater variety of claims against the urban tax base noted above, realistic State aid formulas should use a more meaningful measure of fiscal capacity if they are to recognize the unique plight of the large cities. One method is to reduce the effective capacity for education by discounting the tax base by the proportion that goes for noneducational functions. Another approach is to divide the tax base by total population rather than students, thus recognizing that education, like all other public services, is a public good of benefit to the entire community, not just the pupils, and that the measure of wealth relates to all the citizens, not just to students. The effect of a per-capita measure rather than per pupil is to depress the apparent wealth of central cities and is another means of recognizing the familiar problem of municipal overburden.

A third approach to the problem of recognizing the special urban fiscal problem might be to take into account the greater tax effort of cities by utilizing their total tax rate (taxes for all local public services) when computing their effort rather than simply their educational taxes. The result would be to show that total suburban tax rates for all

services were only 80 percent of those in the large core cities. (See Tables VIII and IX.) To date, however, State aid formulas have not incorporated techniques to recognize these urban financial problems, although they have been proposed for some time by fiscal reformers.

TABLE VIII.—*Per capita taxes, 1957–70*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Northeast:				
Washington, D.C	$185	$75	$516	$231
Baltimore, Md	105	62	221	195
Boston, Mass	161	116	369	263
Newark, N.J	178	139	352	294
Paterson-Clifton-Passaic, N.J	118	116	221	278
Buffalo, N.Y	116	112	236	238
New York City, N.Y	167	153	384	356
Rochester, N.Y	122	119	272	240
Philadelphia, Pa	115	74	250	180
Pittsburgh, Pa	113	68	294	161
Providence, R.I	109	73	196	165
Midwest:				
Chicago, Ill	138	99	244	251
Indianapolis, Ind	106	68	226	151
Detroit, Mich	127	95	255	210
Minneapolis-St. Paul, Minn	115	75	227	152
Kansas City, Mo	105	69	253	157
St. Louis, Mo	98	75	267	174
Cincinnati, Ohio	137	65	251	134
Cleveland, Ohio	106	98	296	230
Columbus, Ohio	80	72	198	162
Dayton, Ohio	126	52	264	143
Milwaukee, Wis	126	104	306	179
South:				
Miami, Fla	132	94	221	160
Tampa-St. Petersburg, Fla	78	47	170	95
Atlanta, Ga	98	44	252	122
Louisville, Ky	92	59	181	119
New Orleans, La	62	38	148	93
Dallas, Tex	101	43	211	107
Houston, Tex	85	70	181	172
San Antonio, Tex	54	26	102	77
West:				
Los Angeles-Long Beach, Calif	155	102	329	272
San Bernardino, Riverside, Ontario, Calif	141	81	261	257
San Diego, Calif	93	76	206	198
San Francisco-Oakland, Calif	140	111	436	305
Denver, Colo	131	68	272	180
Portland, Oreg	135	66	260	153
Seattle-Everett, Wash	81	48	203	163
Total	117 (132)	80 (93)	258 (289)	190 (223)

[1] That is the suburban ring.

TABLE IX.—*Taxes as a percent of income, 1957–70*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Northeast:				
Washington, D.C	9.7	4.2	11.3	4.9
Baltimore, Md	6.1	4.0	8.0	5.1
Boston, Mass	9.2	6.1	11.6	6.4
Newark, N.J	13.3	6.5	10.1	6.0
Paterson-Clifton-Passaic, N.J	7.5	6.1	6.3	6.3
Buffalo, N.Y	7.2	7.1	7.1	8.8
New York City, N.Y	10.2	6.7	9.5	7.7
Rochester, N.Y	6.8	6.4	7.2	5.8
Philadelphia, Pa	6.5	4.7	7.7	4.7
Pittsburgh, Pa	6.9	4.8	8.7	4.7
Providence, R.I	7.0	4.7	5.8	5.0
Midwest:				
Chicago, Ill	7.4	4.0	6.4	5.6
Indianapolis, Ind	6.3	6.0	6.2	4.5
Detroit, Mich	7.0	5.3	7.0	5.4
Minneapolis-St. Paul, Minn	6.3	6.2	5.9	4.0
Kansas City, Mo	4.9	5.2	7.5	4.0
St. Louis, Mo	7.3	4.2	9.1	4.8
Cincinnati, Ohio	7.7	4.6	7.1	3.9
Cleveland, Ohio	7.3	5.6	9.6	5.2
Columbus, Ohio	5.1	5.2	5.6	4.4
Dayton, Ohio	8.0	4.9	8.2	3.6
Milwaukee, Wis	8.2	4.4	8.9	4.4
South:				
Miami, Fla	8.2	5.5	7.6	4.5
Tampa-St. Petersburg, Fla	6.3	4.4	3.6	----
Atlanta, Ga	5.2	4.0	7.1	3.3
Louisville, Ky	5.2	3.5	5.7	3.4
New Orleans, La	4.0	2.5	4.8	3.0
Dallas, Tex	4.8	3.5	5.5	3.2
Houston, Tex	4.8	6.8	5.1	5.6
San Antonio, Tex	(2)	(2)	4.0	2.4
West:				
Los Angeles-Long Beach, Calif	7.2	9.4	7.9	6.8
San Bernardino, Riverside, Ontario, Calif	8.1	8.8	7.6	8.5
San Diego, Calif	5.7	6.4	5.7	5.9
San Francisco-Oakland, Calif	7.8	7.7	10.5	7.5
Denver, Colo	6.8	6.1	7.4	5.4
Portland, Oreg	6.7	5.3	7.0	4.5
Seattle-Everett, Wash	4.3	5.0	5.1	4.4
Total	7.0	5.4	----	----
	(7.6)	(5.6)	----	----

[1] That is the suburban ring.
[2] Not available.

The result of all this is that despite their more costly student populations, higher costs for things that schools must purchase, and difficulty in freeing dollars from other urban functions to use for educa-

tion, central cities in many areas spend less than their suburban neighbors and at best do slightly better than break even. Given the massive costs which have been estimated for effective compensatory educational programs, the cities are receiving grossly inequitable treatment in relation to their greater educational and fiscal needs. (See Table X.)

TABLE X.—*Per capita and per pupil educational expenditures, 1970*

	1957		1970	
	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]	Central cities of standard metropolitan statistical areas	Areas in metropolitan areas outside the central cities [1]
Northeast:				
Washington, D.C	$261	$244	$1,325	$1,021
Baltimore, Md	222	215	1,042	960
Boston, Mass	139	177	952	665
Newark, N.J	216	205	1,069	1,030
Paterson-Clifton-Passaic, N.J	141	197	849	1,000
Buffalo, N.Y	165	261	933	1,155
New York City, N.Y	215	332	1,504	1,419
Rochester, N.Y	225	325	1,415	1,371
Philadelphia, Pa	174	203	1,145	1,000
Pittsburgh, Pa	154	180	807	853
Providence, R.I	139	146	1,000	741
Midwest:				
Chicago, Ill	158	199	935	900
Indianapolis, Ind	144	194	735	805
Detroit, Mich	177	261	989	1,092
Minneapolis-St. Paul, Minn	154	284	994	1,033
Kansas City, Mo	169	194	710	776
St. Louis, Mo	176	187	926	842
Cincinnati, Ohio	210	195	1,077	947
Cleveland, Ohio	133	179	665	688
Columbus, Ohio	165	171	801	690
Dayton, Ohio	183	250	1,040	1,092
Milwaukee, Wis	202	202	1,058	1,058
South:				
Miami, Fla	162	162	890	890
Tampa-St. Petersburg, Fla	218	191	928	827
Atlanta, Ga	126	123	685	624
Louisville, Ky	142	156	676	684
New Orleans, La	140	185	639	756
Dallas, Tex	123	198	564	744
Houston, Tex	193	226	910	900
San Antonio, Tex	267	232	1,077	913
West:	186	227	759	894
Los Angeles-Long Beach, Calif	209	264	722	1,086
San Bernardino, Riverside, Ontario, Calif	170	195	904	707
San Diego, Calif	188	213	974	938
San Francisco-Oakland, Calif	150	275	938	1,015
Denver, Colo				
Portland, Oreg				
Seattle-Everett, Wash				
Total	183	211		

[1] That is the suburban ring.

One interesting table drawn from a recent study of New York State shows the problem graphically. It divides city and noncity school districts of similar per-pupil property valuation and shows that in virtually every cell of the table, cities have lower educational tax rates but higher total tax rates, receive generally less State aid and end up with somewhat lower expenditures for a pupil population that has more than twice as many children scoring at least two grade levels behind the State norm in reading, and more than three times as many children from families receiving AFDC payments.

TABLE XI.—*Selected data for 119 New York State school districts, city and noncity within cohort wealth groups*

Full taxable property value per WADA (city, noncity)	School tax rate		Total tax rate		Total State aid		Total expenditures per WADA		Percent low achievement		AFDC (percent)	
	Noncity	City	Noncity	City	Noncity	City	Noncity	City	Noncity	City	Noncity	City
48,000 and above (noncity, N=8; city, N=1)	$16.78	$11.84	$34.18	$37.15	$315.25	$351.0	$1,320	$1,187	17.7	34.0	5.6	15.0
45,938 minus 3,634 (noncity, N=8; city, N=4)	19.53	16.23	34.73	45.57	383.37	356.25	1,203	1,146	15.0	31.5	4.5	17.3
35,396 minus 24,150 (noncity, N=29; city, N=9)	19.42	16.43	33.81	37.80	475.72	463.44	1,088	1,011	14.7	27.8	2.3	12.7
23,610 minus 12,190 (noncity, N=49; city, N=7)	18.57	15.91	35.92	41.41	629.24	566.85	998	972	17.5	22.3	3.8	8.6
11,741 and below (noncity, N=5; city, N=0)	14.96	----	43.21	----	619.0	----	1,014	----	18.4	----	3.0	----

Inequities in Educational Finance Outside the Large Cities

While this paper has emphasized the central city problem, we do not believe that it is the only area of inequity in American educational finance. School districts outside central cities, both within metropolitan areas and in more rural regions, exhibit some of the same patterns of inequity. Table XII is illustrative. A randomly selected sample of school districts in five major metropolitan areas, excluding the central city districts, shows considerable disparities in the level of school expenditures. Far more important, however, is the relationship between the property valuation of these districts and their expenditures. With only one minor deviation among all four categories in five States, the richer the districts, the more they spend on education. In short, according to our view that public education should offset socioeconomic disparities, to the extent that socioeconomic status follows the differences in property valuation in these suburban school districts, school finance patterns exacerbate inequality of educational opportunity.

But we have already noted that the inequity in school finance lies not only in the way it distributes educational services. It lies also in the way it raises funds to pay for those services. Relying almost exclusively upon the property tax for locally raised revenues, education is subject to the massive disparities in tax base that characterize American local governments. Examples of the range may be seen on Table I*. The consequence of such difference is that districts rich in property may levy relatively low tax rates and yet raise far more proportionately than districts with smaller tax bases. An example of what these patterns can produce may be seen in Table XIII, which draws upon a random sample of Texas school districts. Taxpayers fortunate enough to live in the wealthiest districts can raise nearly 10 times as much with a rate only half that of the poorest districts. It would be hard to develop a definition of equity in taxation that could justify such a system.

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*See page 46.

TABLE XII.—*Per pupil suburban property value and school revenues in 5 metropolitan areas, 1967*

Property valuation category	Boston suburbs		Los Angeles suburbs		New York suburbs		Houston suburbs		Detroit suburbs	
	Valuation per pupil[1]	Revenue per pupil	Valuation per pupil	Revenue per pupil	Valuation per pupil	Revenue per pupil	Valuation per pupil	Revenue per pupil	Valuation per pupil	Revenue per pupil
High	$44,767(3)	$824	$57,414(3)	$958	$60,842(5)	$1,411	$140,719(1)	$928	$27,138(4)	$899
Moderate high	26,343(11)	780	17,176(16)	686	31,384(16)	1,172	64,356(5)	571	14,750(12)	724
Moderate low	20,554(9)	760	7,195(16)	630	18,413(17)	1,043	27,146(4)	466	9,282(11)	629
Low	15,481(5)	595	5,079(3)	663	10,997(3)	1,009	12,494(2)	482	6,550(4)	599

[1] Figures in parentheses represent number of school systems.

Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

TABLE XIII.—*The relationship of district wealth to tax effort and tax yield,*[1] *Texas school districts categorized by equalized property values, equalized tax rates, and yield of rates*

Categories—market value of taxable property per pupil	Equalized tax rates on $100	Yield per pupil (equalized rate applied to district market value)
Above $100,000 (10 districts)	$0. 31	$585
$100,000 to $50,000 (26 districts)	. 38	262
$50,000 to $30,000 (30 districts)	. 55	213
$30,000 to $10,000 (40 districts)	. 72	162
Below $10,000 (4 districts)	. 70	60

[1] Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y. From evidentiary affidavit of Joel S. Berke in *Rodriquez* v. *San Antonio.*

Chapter II

THE EMERGING LEGAL DOCTRINES AND THEIR IMPLICATIONS

The causes of the inequity that we have traced are easy to identify. First, States have created school districts with capacities to raise revenues for education that vary from district to district and bear little rational relation to the educational needs of different pupil populations. Second, State aid formulas, while nominally equalizing, have failed to compensate for the inequitable patterns of taxable property and educational need. While these problems have been recognized for some time, hardened political coalitions have protected the self-interest of communities that have benefited from the current system. Since August 30, 1971, a new hope has inspired those who have sought to revise the present systems of educational finance. For on that day, the prestigious Supreme Court of the State of California held that the system of State educational finance was unconstitutional because it "invidiously discriminate[d] against the poor [by making] the quality of a child's education a function of the wealth of his parents and neighbors." While *Serrano* versus *Priest* has not furnished guidelines as to what type of educational finance system will satisfy the Constitution, it has made clear that the quality of education may not be a function of variations in local wealth.

If *Serrano* becomes the law of the land, and to date it has been adopted as the appropriate interpretation of the 14th Amendment in Federal courts in Minnesota and Texas to invalidate State school finance laws, the alternatives open to legislatures would seem to include at least the following:

1. Full State assumption of the costs of education.
2. Power equalizing State aid, i.e. State aid designed to compensate for disparities in local tax bases so that at any level of effort every community would raise the same amount of money per pupil through the combination of locally raised revenues and compensating State aid.
3. Redistricting school districts in such a way that all had equal property valuation.
4. Revenue distribution systems that insured that educational expenditures were either equalized in absolute terms or were distributed in proportion to a criteria such as educational need.

While the authors of this paper have themselves been a part of study teams that have sought to develop State systems of finance that would utilize measures of educational need of a compensatory nature, we fear that the direction that change may take in the post-*Serrano* period

will be that of providing essentially equal expenditures for all children financed from a broad based statewide tax system of proportional rather than progressive rates. Despite the widespread enthusiasm that the California, Minnesota, and Texas cases have raised throughout the Nation, it is our belief that finance reform of the type just described will not result in removing the major inequities in American educational finance and on the contrary may well exacerbate the problems of a substantial proportion of urban schools.

Effects of State Assumption of Costs and Equal Per Pupil Revenue Distribution

Our analysis consists of applying a system of the type described above to the central cities of the 37 largest metropolitan areas. To evaluate the tax implications, we have calculated the total cost to the State of assuming the local share of educational revenues for the State in which the city is located, allocated the burdens of paying for those costs on the basis of the proportion of the State's disposable income located in those central cities, and shown the tax burden for education in those cities as a percentage of income. While the tax model we have posited would use an income tax of proportional rather than progressive rates, essentially the same results would have resulted from any broad based, nonprogressive tax such as a statewide sales or property tax. As Table XIV indicates, the results are rather sobering for those concerned about the urban financial crisis. In three-fourths of the cities in these large metropolitan areas, school taxes would rise, and of the six exceptions to this tendency, three are located in a single State, Ohio, and in a fourth the tax rates would remain virtually the same.

The expenditure implications, however, are even more jarring. For this aspect of the analysis, we have assumed that the local share of revenues assumed by the State would be redistributed on an equal per-pupil basis through the State. (While we have not taken into account the State and Federal shares of revenue in this study, we are confident that the patterns would be essentially the same based upon the pattern of expenditures noted in the earlier section of this paper.) Columns three and four show the results. Nearly twice as many central cities would receive lower expenditures from the States under equal statewide per-pupil distribution of funds than they presently receive under the existing revenue structure. In a number of cases, for example New York City, the proportion of income taxed for educational purposes would rise from 2.5 percent to 3.1 percent, yet the expenditures from local sources that were $694 in the 1970 school year would drop under an equal per-pupil statewide redistribution of the State assumed local share to $636. In short, not only would New York be paying more, under equal per-pupil statewide redistribution, it would be receiving less.

The last column on Table XIV makes another disturbing point. It shows what the local expenditures would be were cities to apply the new statewide tax rates to their tax base and keep the resulting revenues for school purposes instead of paying them into the State pot. In four-fifths of the cases in the largest 37 metropolitan areas, cities

TABLE XIV.—*Tax effort and expenditures implications under State assumption and equal per pupil distribution*

	Percent of income taxed for school purposes		Local expenditures per pupil		
	1970	Under State assumption	1970	Statewide equal expenditures	Local expenditures under statewide tax rate [1]
Northeast:					
Baltimore, Md	3.4	3.7	$444	$538	$486
Boston, Mass	2.5	3.6	522	632	741
Newark, N.J	3.4	3.8	587	707	648
Paterson-Clifton-Passaic, N.J	(2)	3.8	(2)	707	797
Buffalo, N.Y	1.6	3.1	347	636	662
New York City, N.Y	2.5	3.1	694	636	863
Rochester, N.Y	3.0	3.1	697	636	727
Philadelphia, Pa	2.0	2.7	444	446	593
Pittsburgh, Pa	2.5	2.7	596	446	650
Providence, R.I	2.9	2.8	701	477	678
Midwest:					
Chicago, Ill	1.4	3.3	307	600	754
Indianapolis, Ind	2.4	2.8	415	377	495
Detroit, Mich	2.1	2.9	439	396	589
Minneapolis-St. Paul, Minn	2.3	3.3	582	429	835
Kansas City, Mo	(2)	3.0	(2)	408	428
St. Louis, Mo	2.7	3.0	422	408	469
Cincinnati, Ohio	4.6	3.4	677	490	499
Cleveland, Ohio	4.8	3.4	749	490	530
Columbus, Ohio	3.0	3.4	479	490	546
Dayton, Ohio	3.7	3.4	632	490	568
Milwaukee, Wis	3.4	4.3	599	573	708
South:					
Miami, Fla. (Dade County)	1.6	1.8	287	383	324
Tampa-St. Petersburg, Fla	1.3	1.8	222	383	315
Atlanta, Ga	2.4	1.5	395	175	350
Louisville, Ky	1.6	1.6	341	191	343
New Orleans, La	1.5	1.9	261	212	325
Dallas, Tex		2.2	(2)	275	409
Houston, Tex		2.2	(2)	275	364
San Antonio, Tex		2.2	(2)	275	259
West:					
Los Angeles-Long Beach, Calif		2.9	(2)	433	531
San Bernardino, Riverside, Ontario, Calif		2.9	(2)	433	403
San Diego, Calif		2.9	(2)	433	423
San Francisco-Oakland, Calif	2.5	2.9	709	435	817
Denver, Colo	3.3	4.3	667	507	864
Portland, Oreg	2.3	2.0	442	672	980
Seattle-Everett, Wash	1.7	2.3	436	328	608

[1] Local revenues that would be generated if the statewide rates were applied but the revenues raised by those rates were retained for local expenditure.
[2] Not compiled.

would have had higher revenues than they receive under a State per-pupil distribution of the formerly locally raised revenue. What is occurring, then, is that under our revenue-expenditure model, educational resources are being redistributed from large cities to other parts of the State. The reason for this phenomenon lies in the analysis already discussed in the first section of this paper, which showed that city tax rates *for education* were lower than in the surrounding areas because city tax rates *for all governmental functions combined* were higher in other parts of metropolitan areas. The explanation for the expenditure effects has also been shown: City educational costs are considerably higher than those in other parts of the State; and, while expenditures in cities are not as high as their added costs and greater educational need requires, they are higher than expenditures in rural areas and in some suburban areas. Certainly, city school expenditures usually are above the statewide average of districts, and thus cities lose or only break even in plans that have equal per-pupil expenditures throughout the State or which "level up" to the State average.

To show the impact of our tax-expenditure model on cities and their suburbs, we took a random selection of 13 of the 37 largest metropolitan areas, and looked at a large central city and its suburban county. (We were unable to complete calculations for the entire outside central city area.) Table XV displays the comparative tax rate effects. In six of the eight large cities in the Northeast and Midwest, suburban taxes would rise under State assumption, but the rise would be markedly less than in the cities in most cases. Both areas would be redistributing to non-metropolitan areas or to the least urbanized portions of metropolitan areas. In the South the tax impact of statewide assumption would permit the suburban counties in both metropolitan areas to reduce tax effort for education, while the cities would get either a lesser degree of tax relief or none at all. In the West, all three cities would have their tax effort increased, while that would be the case for only one suburban county.

TABLE XV.—*Local school tax effort (taxes as a percent of income)*

	1970 city tax effort	1976 suburban tax effort	State assumption and tax effort
Northeast:			
Boston, Mass.–Norfolk	2.5	3.5	3.6
Newark, N.J.—balance Essex	3.4	2.5	3.8
New York City, N.Y.–Westchester	2.5	2.8	3.1
Midwest:			
Indianapolis, Ind.—balance Marion	2.4	3.4	2.8
Minneapolis, Minn.—balance Hennepin	2.3	2.5	3.3
St. Louis, Mo.–St. Louis	2.7	2.4	3.0
Cleveland, Ohio—balance Cuyahoga	4.8	3.7	3.4
Milwaukee, Wis.—balance Milwaukee	3.3	3.6	4.3
South:			
Atlanta, Ga.—balance Fulton	2.4	3.2	1.5
Louisville, Ky.—balance Jefferson	1.6	2.3	1.6
West:			
Oakland, Calif.–Alameda	2.7	3.0	2.9
Denver, Colo.–Jefferson	3.3	2.8	4.3
Seattle–Everett, Wash	1.7	2.5	2.3

Table XVI shows the comparative central city-suburban expenditure results. The first two columns show the Northeast and Midwest phenomenon of central cities spending somewhat less than their suburban counties. (Since this table deals with the suburban areas nearest the central cities, it omits the rural portions of metropolitan areas which depressed the suburban expenditure levels in the analysis in Part I of the paper.) After equal per-pupil distribution of the State assumed local share, the third column shows the new statewide expenditure levels from what were formerly local revenues. Only two of the eight Northeastern and Midwestern cities gain, while only one suburb does. And the rates by which the suburbs exceed the State average are substantially higher than in the cities. The last two columns show what local expenditures would be, were the new statewide tax rates applied and the revenues retained in the local jurisdiction.

TABLE XVI.—*Locally raised expenditures per pupil*

	1970 city	1970 suburban	Statewide equal expenditure	Local revenue resulting from statewide rates [1]	
				City	Suburban
Northeast:					
Boston, Mass.-Norfolk	$522	$694	$632	$741	$710
Newark, N.J.-bal. Essex	587	777	707	648	1, 160
New York City, N.Y.-Westchester	694	839	636	863	913
Midwest:					
Indianapolis, Ind.-bal. Marion	415	519	377	495	431
Minneapolis, Minn.-bal. Hennepin	582	416	429	835	549
St. Louis, Mo.-St. Louis	422	454	408	469	571
Cleveland, Ohio-bal. Cuyahoga	749	951	490	530	864
Milwaukee, Wis.-bal. Milwaukee	599	828	573	768	989
South:					
Atlanta, Ga.-bal. Fulton	395	441	175	250	214
Louisville, Ky.-bal. Jefferson	341	325	191	343	225
West:					
Oakland, Calif.-Alameda	568	462	433	610	408
Denver, Colo.-Jefferson	662	382	507	864	576
Seattle-Everett, Wash	436	355	328	608	332

[1] Local revenues that would be generated if cities and suburbs applied the new rates that resulted from State assumption but retain the revenue raised by those rates.

The foregoing tax expenditure analysis should, we believe, be seen as a warning to those who have uncritically hailed the new cases and proposals that call for State assumption of educational costs by proportional taxes and a reduction of expenditure disparities. Our study suggests, we further believe, some policy recommendations for State action:

To devise educational finance plans that will match resources to need by recognizing the higher costs;

1. of pupils with learning disadvantages;
2. of areas which have heavier than average fiscal responsibilities;
3. higher than average cost of living levels; and,
4. that draw their revenues from tax plans that are characterized by progressive rather than proportional rates.

Chapter III

IMPLICATIONS FOR FEDERAL EDUCATION REVENUE SHARING PROGRAMS

But while we hope that States will adopt programs in line with the suggestions we have made, we are not sanguine about the possibilities. The record of the States in recognizing the special needs of urban areas or the higher educational requirements of educationally disadvantaged pupil populations is not noteworthy. Indeed, it is the small but important share of educational financing that has been contributed by the Federal Government that has been the most effective fiscal contribution to equal educational opportunity in American school finance. The contrast among two types of Federal aid programs and State aid to education may be seen in Tables XVII and XVIII.

TABLE XVII.—*Comparison of Federal aid programs and State aid for school districts in metropolitan areas, 1967*

All areas larger than 500,000 population	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
California:			
Central city (N=7)	$19.64	$11.44	$234.29
Outside central city (N=119)	11.09	8.92	275.78
New York:			
Central city (N=5)	53.90	13.70	372.51
Outside central city (N=73)	12.35	11.44	494.06
Texas:			
Central city (N=4)	19.67	5.73	174.26
Outside central city (N=33)	12.25	10.38	209.35
Michigan:			
Central city (N=1)	37.15	7.27	238.13
Outside central city (N=31)	7.86	5.75	271.26
Massachusetts:			
Central city (N=1)	32.33	7.18	236.00
Outside central city (N=26)	7.95	11.58	110.26

[1] ESEA II, NDEA III, VA, Vocational Education, lunch and milk.

Source: The Policy Institute of the Syracuse University Research Corp.

TABLE XVIII.—*Comparison of Federal aid programs and State aid for school districts in 5 large metropolitan areas based on percentage of nonwhite enrollment*

Districts in 5 largest SMSA's ranked by racial makeup	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
New York (number of districts):			
(8) 15 percent nonwhite or more	$30. 89	$13. 01	$413. 17
(36) less than 15 percent nonwhite	10. 62	10. 48	523. 62
Houston:			
(6) 15 percent nonwhite or more	10. 21	11. 38	193. 35
(8) less than 15 percent nonwhite	19. 31	8. 35	188. 49
Detroit:			
(5) 15 percent nonwhite or more	25. 85	8. 07	285. 06
(22) less than 15 percent nonwhite	5. 13	5. 87	272. 69
Boston:			
(1) 15 percent nonwhite or more	32. 33	16. 84	236. 08
(24) less than 15 percent	7. 99	12. 79	112. 19
Los Angeles:			
(25) 15 percent nonwhite or more	15. 30	7. 18	296. 26
(19) less than 15 percent nonwhite	6. 28	11. 58	236. 72

[1] ESEA II, NDEA III, VA, Vocational education, lunch and milk.

In the first we show the differential effects on central city and suburban areas of ESEA I, which is distributed on the basis of a poverty formula, as compared with other Federal programs which leave considerable discretion to the States in determining the criteria for allocation, and State aid programs. Clearly, Title I is the most responsive to the urban fiscal crisis and State aid the least. (While figures on this table do not include nonmetropolitan or rural areas, the pattern there would show equally high Title I and other Federal aid payments and greater amounts of State aid in rural areas vis-a-vis cities. Table XVIII shows the effects of the same programs on metropolitan school districts categorized by race. Here again we note that Title I is more responsive to this aspect of educational need than are State aid systems. The policy implications, we would suggest, are that educational revenue sharing must be highly compensatory if it is to serve the real needs of education for greater equality of educational opportunity. Title I functions as it does because the formula for distribution has clear requirements that funds be awarded in relation to the number of children from poor families, and it thus recognizes both the fiscal and educational needs of central city and rural areas. Given the current pattern of educational inequity described in Section I and the ineffectiveness of the most likely results of post-*Serrano* changes for

resolving the large city educational finance crisis, we urge a strong component of attempts to recognized educational need in Federal educational revenue sharing legislation.

Such legislation might include a larger proportion of aid being siphoned through the Title I formula or through a formula that would permit States to utilize statewide attainment or aptitude test results as a means of focusing resources where the problems are the greatest. Provisions requiring States to move toward the standard that higher local wealth may not permit higher educational expenditures would also be appropriate to even out the disparities which characterize current finance patterns. But any provision for educational revenue sharing which would permit States to distribute Federal educational revenues according to the historic patterns of State aid would be disastrous in our eyes. The existence of the impetus toward change which *Serrano*, *Van Dusartz*, and *Rodriguez* have given are no assurance—as our analysis indicates—that new money will be distributed in order to assure greater quality of educational opportunity or greater responsiveness to fiscal need.

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